

FAR EASTERN ECONOMIC REVIEW

Vol. VI.

Hongkong, February 9, 1949

No. 6

FROM THE CONTENTS:-

KMT—CCP Relations
Reports from Malaya
Hongkong Population

Industrial Review
Jap Financial & Industrial Reports
Indochina Situation

Indonesian Reports
Free Market Sterling
Chinese Silver Dollar

THE POLITICAL CHANGES IN CHINA AND THE STATUS OF HONGKONG

The concluding scenes of the Chinese revolution are now played; the era of Kuomintang rule is about to close, the Communists' "New Democracy" taking its place. Within another year a coalition government dominated by the Chinese Communist Party will be in power undisputed by any political factions or KMT remnants. The evil that men do lives after them, the good is oft interred with their bones—so will it be with Chiang Kai-shek, the nation's hero during the war of resistance but now the object of hatred. History will judge his greatness or otherwise. Still, the Generalissimo is biding his time for a come-back, facing either the contumely of exile or a fight to the bitter end, which he pledged many times. He might continue fighting in spite of the endless peace or surrender parleys now conducted by Li Tsung-jen and a few leftist KMT members of some standing. How long can his armies last, lacking morale and facing popular hostility. Quousque tandem? The civil war drama of China is in its final act.

The United States Government has abandoned Chiang, there was no alternative. Short of shooting the war out for the Nanking regime the U.S. has done its best. All pathetic appeals have failed, the mission of Mme Chiang, her husband's last sentimental trump, resulted in a fiasco. Washington was most reluctantly compelled to recognise the character of the Chinese revolution as one of emancipation from feudalism, long delayed though this revolution has been.

gime which described the Chinese Communists as cannibals and savages has boomeranged. In their endeavour to create a favourable atmosphere and to befriend the people the Communists of China have succeeded. They are now taking over the administration of increasing areas of China and are confronted with tasks of formidable magnitude such as the running of the largest cities like Peiping and Tientsin—apart from the big cities of Manchuria—and soon Nanking and Shanghai.

Without foreign trade and foreign help the new masters of China will not succeed with the rehabilitation of the devastated country. Therefore relations with foreign nations should be expected to be correct though not cordial.

Foreign traders are apprehensive of the shape of things to come. For an interim period, whatever its duration, private business will not be interfered with but restrictions may become very irksome. In the long run, private investments both Chinese and foreign will have to wind up or face expropriation. State monopolies in production and trade will take over.

Foreign investments in China have long been regarded as precarious under the KMT rule and many capitalists have tried to extricate themselves without losing too large a portion of their substance. Liquidation was often desired but could not be effected. The value of land, houses, factories, warehouses, dockyards and other immovable property was difficult to determine as buyers for large investments could not be found. Many financiers spoke of Shanghai as a "rat trap." The yield of their investments was most uncertain and often losses were incurred; legally, profits, if any, could not be transferred. Lack of maintenance caused undue depreciation of properties and the truculent attitude of labour heightened the feeling of insecurity.

The policy of the corrupt but powerful followers of the KMT was confiscatory and monopolistic and anti-foreign. Money was still poured out by the U.S. Government, although the aims and true character of the KMT machine was fully realised in Washington. The rich donations made by the U.S. were received in Nanking under the title of "contribution towards bandit suppression," meaning not the KMT gentry

but the CPC led army. At last, this drain on the U.S. resources has come to an end.

* * * *

The remaining foreigners in Shanghai are looking forward to an improvement when the Communist appointed administration will assume control; as it has been for the last 3½ years life appeared to many as intolerable in chaotic Shanghai. It was a group of Americans who sponsored a very popular club, the "Get the Hell out of China Club," after they found, what other foreigners had morally and physically felt long ago, that the true attitude of Nanking officialdom and the host of KMT hangers-on was discriminatory and inhospitable—though under the mask of suavity.

In common with the Chinese people, foreign business men and other foreigners, more or less marooned in Shanghai, exclaim: It cannot be worse under the Communists but it may, indeed it will, be better.

A catalogue of foreign merchants' complaints in China was never complete without the following points:—(1) by prohibiting foreign flag vessels to continue inland river and coastwise shipping most foreign dockyards and facilities in ex-treaty ports became unproductive; (2) by defaulting on the express obligation incurred by the Chinese Government to pay back salaries, superannuations and refunds for termination of contracts to the ex-SMC staff, great hardship was suffered by the Chinese and foreign employees of the once most efficient Shanghai Municipality; the Nanking authorities appropriated themselves large assets by most reprehensible methods; (3) by defaulting on most of their solemn promises the Nanking regime lost its honour; even Allied properties "taken-over" by Chinese army men and officials, after the reoccupation of Shanghai, like residences, godowns, factories, ships of any description etc. were not at all or only very slowly returned to their rightful owners; non-Allied properties fared worse in the general take-over mania in the latter part of 1945; (4) the unfriendly behaviour of large numbers of the uneducated people vis-a-vis foreigners was encouraged by hostile newspaper articles and other propaganda carried out by a KMT clique associated with the Chen brothers; law infringements, insults and abuses found no redress when foreigners were the victims while a certain

* * * *

No longer can one afford to fulminate against Communism, in China or elsewhere, by taking resort to the worn-out stock of phrases such as "forces of darkness trying to overcome the forces of light" (meaning Communism is to replace bourgeois capitalism); the time has come to compromise with Communism or to face the consequences—world war III. In China, the "reds" have conducted themselves most creditably, they have succeeded to impress foreigners and their own people with a higher degree of discipline and efficiency than the world was used to accept from the corrupt KMT. The irresponsible propaganda of the Nanking re-

class of vituperative publications fed the gullible masses with atrocity stories and invited contempt; (5) by underpayment of all civil servants corruption became rampant in the Courts and the Police which fact increased the general insecurity; ambiguous legislation and continually changing oppressive trade and exchange regulations opened the door for official extortion and graft of an unprecedented extent; (6) by imposing on foreigners inland travel and exit visas, against weak protests only by the U.S., further avenues of official blackmail were created; (7) by the lawlessness of the army, a state in the state, and the extralegal activities of the secret service the citizens were terrorised.

The Position of Hongkong

The ultranationalists with their demands for "retrocession" of Hongkong have never slept, they lay low biding their time for another of those recurrent campaigns. Whenever it suited the political convenience of the KMT the "problem of Hongkong" was raised, with the well-engineered cries of the irredenta as a sinister back-stage chorus. The post-war record of co-operation between Nanking and Hongkong has been marred by many organised incidents which were the work of one or two KMT cliques. The Kowloon walled city issue which led to a fomented anti-British demonstration and the burning of the British Consulate and other buildings in Shameen in January 1948, was only the culmination of a smouldering campaign which started off with student demonstrations in Chungking, in 1945, against the construction plan of an airfield in the New Territories (Pingshan area), continued with "Hongkong retrocession" propaganda, on and off during 1946, and the inordinate magnifying of two small local incidents known as the "peanut vendor" and the "Shumchun murder" cases. The building of a monument in Shumchun commemorating the "tra-

gedy of China" and the "brutality of Britain" began and ended like a farce but the spirit behind the whole affair was most revealing. In his good efforts to promote Anglo-Chinese relations, Dr. T. V. Soong, when Governor of Kwangtung, was continually opposed by the secret service and the rightist KMT clique.

Chiang Kai-shek in his celebrated "China's Destiny" was very explicit about the position of Hongkong. He wrote:—

However, there remains a certain cause for regret in connection with the conclusion of these new treaties, namely, the fact that the question of the leased territory of Kowloon, which was originally Chinese territory, was not settled in the new treaty [between China and Britain]. This leaves a stain on the cordial relations between China and England. On the day that the new Sino-British treaty [1942] was signed, however, our Government presented a formal note to England, reserving the right to recover Kowloon, which means that negotiations concerning Kowloon can be initiated at any time. What we must recognise is that there exists a definite geographical interdependence between Hongkong and Kowloon, and that both questions must be settled at the same time. Obviously, this is the reason for the British delay. We are confident, however, that the British Government will not allow the enduring friendship between China and England to be injured on account of this tiny plot of land.

The value of Hongkong, a barren rock 100 years ago and a flourishing commercial and industrial centre today, has been enhanced in the post-war years both for Chinese and Europeans. In a sea of trouble the Colony is a beacon of order and security to which business men from all countries, not least of all from China, have been flocking. In the light of the fate which befell Shanghai's International Settlement and French Concession, the value and importance of Hongkong have become indisputable.

The confusion and chaos of China forced Hongkong in the post-war years to go farther afield and to develop itself into the major entrepot of the Far

East. Like the Venice of the Middle Ages, Hongkong of our days has grown into a little trading republic. It is the Chinese trader who appreciates and understands the unique advantage which is inherent in the political entity of Hongkong, and while he is careful not to lay himself open to cries of "national traitor" from the irredenta beyond the safe borders of the Colony, he supports the present status and fears its change for the worse. When the present Governor of Hongkong, while in Canada prior to his assumption of office in 1947, expressed the opinion that the majority of the Chinese residents of Hongkong do not wish any political change, he only repeated what is commonly held here.

The anticipated complete overthrow of the KMT and the ensuing new political situation in China with which the world is now familiarising itself has, as far as Hongkong is concerned, presented a new facet of the old problem: what will be the possible line of action of the Communist Party of China vis-a-vis Hongkong? Overanxious inquiries made in London have received entirely reassuring replies: Britain, being determined to hold Hongkong, will, if necessary, defend it. In this declared policy the British Commonwealth will find itself actively supported by European nations and the United States. And even the Soviet Union might put on a disinterested mask if the embers of the "cold war" could only be controlled from breaking out into the all-embracing holocaust. The only actual menace to the peace and security of Hongkong could come—after full consolidation of Communist control in China—if the USSR, in another of its diversionary moves all over the globe away from the centre of decisions, Europe, might succeed in setting the Chinese Communist Party against Britain. Ultimately, the "problem of Hongkong" is of international character and is not an issue between Britain and China.

THE RELATIONS BETWEEN THE KUOMINTANG AND THE COMMUNISTS

By Tseng Yu-hao

While the Kuomintang or the Nationalist Party passed through a period of bitter internal struggles during the end of the first quarter of this century, the late Dr. Sun Yat-sen, its founder, enlisted the assistance of members of the Third International and the Russian Communist Party, represented in China at one time or another by Maring, Adolf Joffe, Leo Mikailovich Karakhan and Michael Borodin, alias Berg, alias Grusberg. In July 1919, Karakhan who was later purged and executed as Trotskyist in Moscow, but who was then the Kremlin's Deputy People's Commissar for Foreign Affairs, issued a manifesto to the Chinese masses in which the Bolsheviks promised (what the Peking and Mukden regimes had forfeited after the Tsars were overthrown) the return of all territories taken from China; to restore Chinese

control to the Eastern Railway; to renounce their claims to any share in the Boxer Indemnity; to give up the rights of extraterritoriality and consular jurisdiction; and to surrender all other special privileges inconsistent with the principles of equality and reciprocity between modern nations.

Although Soviet Russia did not actually exercise and possess such immunities and advantages as offered by Comrade Karakhan, the Chinese public and young scholars, who were not well informed of the intricate realities of China's foreign relations, received the announcements as evidence of the Kremlin's sincerity for the Chinese nation which had so long been down-trodden by the "imperialists."

In December 1922, Adolf Joffe and Sun Yat-sen agreed upon a joint statement in which it was asserted that

Russia would not impose her political system on China and would enter into agreements with the latter in order to abolish the Unequal Treaties which were then non-existent as far as they concerned Sino-Soviet Relations.

Karakhan recommended to Sun Yat-sen, Michael Borodin as an adviser and later high commissioner for South China. Chiang Kai-shek who, as a non-Cantonese Kuomintang member was even accused as a murderer, had been ill-spoken of in South China and whose political and military life had been so desperate that he wrote he would commit suicide, discovered a personal chance for success by offering his services to Borodin. There were however many old Kuomintang guards who were anxious to get rid of the Bolsheviks if they ever tried to manipulate Cantonese affairs. In Chiang Kai-shek as well as in Wang Ching-wei, both without important positions to lose in the Party, Borodin found potential aides to overthrow the leadership Sun Yat-sen personally had built up. So Chiang Kai-shek's fortunes rose under

the Red flag. He went to Moscow in August, 1923, for investigating the Soviet system of military education, and upon his return to China Chiang supported zealously Sun Yat-sen's new policy of co-operating with Russia, incorporating believers in Marxism-Leninism, and protecting the interests of farmers and labourers.

Chiang Kai-shek published a statement in his "Collected Works," which he recently suppressed, that without the Communists constituting an integral part of the KMT the Party would have been most defective for revolutionary purposes. With Moscow's roubles and advice Chiang Kai-shek organised in June, 1924, a military academy at Whampoa (Canton) where the cadets could receive a diploma after twelve months' training. Later he became the head of a few brigades composed of some three thousand soldiers with his graduate students as officers. In those days the Whampoa military academy was known as a Red institution and the Cadets' forces as a Red Army. Numerically they appeared insignificant compared with other divisions hoisting the KMT flag. The Cadets' battalions were however equipped with Russian arms, indoctrinated with Bolshevik propaganda, and possessed of aggressive spirit.

Assimilating certain concepts of Communism, Sun Yat-sen reorganised the Kuomintang in January 1924, but the Party still preserved its characteristics in many ways. In a very comprehensive declaration Sun Yat-sen defined his Three People's Principles. The principle of regulating capitalism and equalising land ownership differed radically from the philosophy of the Communist Manifesto which wants to "abolish private property, of means of production and the existing economic system by a violent proletarian revolution. The manifesto of 1924 also stood for election, recall, initiative and referendum. However, with reference to respect for China's racial minorities, (Tibetans and Mongols) and to abolition of the unequal treaties and consular jurisdiction, the KMT adopted the policy of the Kremlin which at this time worked for destroying British and American "imperialism."

Until Dr. Sun Yat-sen's death in 1925 and afterwards until Chiang Kai-shek's volte-face and purge of 1927, the KMT in action resembled the Soviets more than in theory. Following the example of the Comintern which denounced by unilateral acts the treaty obligations of the Tsars to the democratic powers, Dr. Sun tried to violate international commitments by forcibly taking over the control of the British managed Chinese Maritime Customs in Canton. Strikes and picketings directed by sovietised KMT agents once reduced prosperous Hongkong to an almost dead island. Some KMT leaders like Wang Ching-wei who was then a close collaborator of Borodin and Chiang Kai-shek publicly identified the Royal Asiatic Society as a "British Intelligence Service" and the American Missionary establishments as proofs of "imperialistic cultural aggression." Moscow under Lenin, Trotsky and Stalin, and Canton under

Sun Yat-sen, Wang Ching-wei and Chiang Kai-shek used each other's slogans and catchwords. Chiang Kai-shek, described as "nothing but Red" by foreign newspapers, remained a less known figure to outsiders until Sun Yat-sen's death. Chiang's power and influence grew however under Kremlin assistance and patronage. He organised an army under relatively well trained officers and served as the Chief-of-Staff to the Commander-in-Chief of the Cantonese forces, thus having a chance to make himself acquainted with details of the KMT military administration.

After Sun Yat-sen's death in 1925, two opposite camps—the Leftist and Rightist—divided the Party. Wang Ching-wei was proud of being the head of the Left Wing; Hu Han-min, invested by the late leader with the highest authority of government, was regarded as commanding the Right. The Stalinists and Trotskyists benefited by the existence of such frictions and factions within the KMT. Communist publications were supporting Wang Ching-wei and Chiang Kai-shek against the "reactionaries, imperialists and counter-revolutionaries." The real power-army and finance-remained however in the hands of Liao Chung-kai. Dr Sun's treasures and now holder of more than half a dozen pivotal posts including the chairmanship of the Strikes Committee for Canton and Hongkong; and also Li Chi-sen (Li Chai-sum), Commander of the First Division which begot the famous Ironsides, the 19th Route Army and Chen Chi-tang's crack troops that ruled South China about a decade. Liao supported Chiang Kai-shek and the Marxist-Leninists until he met his assassination. Li later helped Chiang and never questioned Chiang's motives and activities until in 1929 he was lured by Chiang and imprisoned in Nanjing for three years.

Madame Liao Chung-kai has remained loyal to her husband's last legacy for befriending the Bolsheviks. Liao Cheng-chi, their son, was the representative of the Chinese Communist Party in Hongkong and was jailed by Chiang after and before the Pacific War. Li Chi-sen's role in associating with the Communists against Chiang Kai-shek is now well known.

Chiang Kai-shek never held important positions while Sun Yat-sen lived, nor did Wang Ching-wei receive any substantial appointment during the leader's life although he, Chiang and Hu Han-min were called the Triumvirate as soon as Dr. Sun died. Wu Chih-hui said that Sun Yat-sen was not in favour of Wang's participation in the national revolution as revealed by Sun's letters to Chiang Kai-shek. Although Dr. Sun's letters to Chiang were suspected by many as forgeries, there was little evidence that Wang and Dr. Sun willingly co-operated to a great extent. Sun Fo declared that Sun Yat-sen only asked Chiang to train an army; the Party and government were left to Hu Han-min who was usually friendly with comrades having followed Dr. Sun all the years of revolution. Thus Chiang and Wang Ching-wei who had not achieved much during Dr. Sun's life time, had relatively clean

records when the KMT and the Communists were playing against one another. The really motivating influence, the Soviet agents, saw in these two men—Chiang and Wang—potentially useful tools. They had everything to gain and practically nothing to lose if they sold themselves, the KMT and their nation to the Kremlin. For the Bolsheviks whatever means they employed for the realisation of the proletarian revolution throughout the world was justifiable. And as Karl Marx pointed out, the proletariat revolution knows no nationality and stops at no territorial boundaries.

* * * *

The Soviet propaganda tried to enhance Chiang's prestige. Harold R. Isaacs, a Trotskyist, said in his "The Tragedy of The Chinese Revolution": "Borodin thought he saw in Chiang the reliable kind of ally in the Kuomintang." Chiang spoke the Communistic language bluntly. "Chiang wrapped himself in radical phrase and presented himself and to the masses as the real hope of the revolutionary army. Borodin therefore employed every possible political stratagem to drive Chiang to the top of the heap. Chiang did not object if Borodin in doing this believed he was serving the interests of the masses. To the contrary, it has been recorded that he often quoted a saying of Dr. Sun to him that in taking Borodin's service he would be taking his (Dr. Sun's) advice. Borodin reciprocated by exhorting that no matter whether Communists or Kuomintang, all must obey General Chiang. When Borodin advised the enhancement of Chiang's power, the latter had no difficulty in hearing the ghostly voice of the great leader issuing from the lips of his Russian counsellor."

Chiang Kai-shek appeared so faithful and loyal to his Russian masters that they could not help but take him into their confidence. The Whampoa Year Book, Canton, December, 1925, contains, for example, such phrases of fealty to the revolution by Chiang: "I am too willing to lie beside the graves of those who have already fallen martyrs to the national revolution, the Three People's Principles, and Communism. The revolution cannot do without Dr. Sun's Three People's Principles. Neither can international revolution neglect Communism. We cannot deny that the Chinese revolution is a part of world revolution. The realisation of the Three People's Principles means the realisation of Communism. Knowing that we cannot separate the Chinese revolution from the world revolution, why should there be any quarrel amongst us about the Three People's Principles and Communism?" William Bullitt, Walter Judd and Henry Luce must regard these statements as fabrications and historical plagiaries by Chiang Kai-shek's enemies!

Chiang's great opportunity came after Liao Chung-kai's assassination. His henchmen and Borodin accused Hu Han-min who was arrested and sent to Siberia. They also blamed Chiang's senior Commander who was shanghaied to Shanghai by the Wang-Chiang Borodin Triumvirate. It was September 20, 1925, when Chiang, Wang and

Borodin began to rule together undisputed and unchallenged in Canton with Russian money, technique, arms and propaganda, against Chinese warlords and "Anglo-American aggressors." But then they started to kick at each other. Wang and Borodin decided that Chiang should be out first. It was arranged that Chiang would be invited to a feast held on March 20, 1926, on board the cruiser Chungshan where Chiang would be detained and immediately beheaded. Contrary to their great expectations, Chiang incarcerated and tortured several adherents of Wang and Borodin before the contemplated fateful dinner was actually served. The cruiser Chungshan episode put Wang Ching-wei out of the picture. Wang suddenly remembered that he was suffering from diabetes and needed a long rest and good medical care. Eventually he retired to Paris where he had a good time. Borodin did not feel sick on account of his failure in conspiring to chop off the head of Chiang. The Kremlin's money and rifles were his trump card and good tonic. Chiang pretended that the Bolsheviks were still his best friends. It was little misunderstanding, he said. And he closed the affair by blaming the commandant of the cruiser Chungshan for the unfortunate event. Actually, Chiang already prepared to leave Canton forever, if there was any sign of a Red success.

The struggle between Borodin's Communists and Chiang led to one compromise: An expedition against the North should be carried out. Rapid progress of the expeditionary forces strengthened the positions of both parties, and a breakdown of their relations was a logical consequence. The Soviet advisers wanted that the armies should march from Hankow to Peking, to avoid an immediate conflict with what they called the paramount economic interests of the imperialists in Shanghai and other lower Yangtse cities. What the Bolsheviks really desired appeared to be their anxiety to link themselves up with their comrades in Mongolia. On the other hand, Chiang insisted that Shanghai, Nanking and other Yangtse ports should be captured first. He thought that by taking these rich towns he could maintain his divisions with the abundant resources therein, and could therefore be independent of Moscow. He considered a volte-face (which he subsequently did). He entered into agreements with those he had so far denounced bitterly, the British and other so-called imperialists whose interests in the lower part of the Yangtse were very large; and who had been hostile towards the Bolshevik's policy of abrogating all obligations and treaty rights concluded by the former Russian Govt.

Borodin never left Hankow for Nanking and Shanghai. He could not get the Ironsides and General Tang Sheng-chih's Hunanese forces to march to Peking. He was made a scapegoat for Stalin's over-confidence in Chiang's loyalty to the Comintern cause. Only a few days before Chiang's slaughtering of the Reds, Stalin stated:—"Comrade Chiang Kai-shek has obeyed the discipline.

Comrade Trotsky (who predicted that Chiang would doublecross the Reds soon) is mistaken." On April 4, 1927, Wang Ching-wei, who just came back from Europe via Moscow, signed on behalf of the KMT a joint declaration with Chen Tu-siu, chairman of the Chinese Communist Party, reiterating the co-operation of the KMT and the Bolsheviks. Only the capitalists, militarists and imperialists were interested in the friction of the two revolutionary parties, the manifesto said. Chiang Kai-shek declared on April 9, 1927, his "explicit obedience" to Wang Ching-wei's guidance and leadership in befriending the Reds. For this promise Stalin complimented Chiang as having "obey the discipline".

Only four days later Chiang began to slaughter the Communists. Arrests, confinements and shootings or beheadings went from day to day without signs of ebbing. After armed guards carried to the execution grounds dozens of healthy and intelligent school boys and girls who were shouting old slogans such as: "Long Live Communism" previously taught by Chiang's agents. Many were convicted and shot on confessions obtained through torture. How many lives were thus sacrificed as China's martyrs no one knows. The majority of the 70 or 80 members of Mao Tse-tung's New People's Study Society were killed in 1927.

Chiang himself could not have known the exact number although his was the responsibility. Edgar Snow said that "the toll of the Shanghai massacre is estimated at 5,000 lives." In Liuyang, Hunan, Governor Ho Chien killed more than 20,000 peasants, students and workers between April and June 1927. In Liling, 15,000 were butchered. According to Harold R. Isaacs, "from April to December 1927, there were 27,985 known dead and 32,316 known political prisoners. Between January and August 1928, 27,699 were formally condemned to death and more than 17,000 were imprisoned. At the end of 1930 the Chinese Red Aid estimated that a total of 140,000 had been killed or died in prison. In 1931, a study of available figures for cities of six provinces established that 38,778 had been executed as enemies of the regime. From 1932 to 1936 the thousands who were killed and filled the prisons were mainly those who in one way or another challenged the capitulation of Chiang and the KMT to the Japanese imperialism, or who tried to organise Chinese resistance to the imperialist invasion of Chinese territory, the seizure of Manchuria and a part of North China." S. E. Sokolsky, writing in the North China Daily News, August 8, 1927, stated that every form of persecution was resorted to on the pretext of hunting Communists. Men were kidnapped and forced to make heavy contributions to military funds; others were seized because they had corresponded with friends in Hankow (where Borodin and Wang Ching-wei held out as a Red-Kuomintang coalition government for a few months after

Chiang deserted the holy alliance with the Kremlin)."

How many died or were crippled through tortures and starvations since 1936 in the concentration camps operated by Tai Li's Bureau of Statistics and Investigation of the Military Commission and also in the camps of Chen Li-fu's Bureau of Statistics and Investigation of the Kuomintang's Central Headquarters, there are no estimates possible.

Chiang was accused by foreign writers of having allied with "poisoned rogues, greedy landlords and their unscrupulous hirelings in oppressing and massacring the peasants and labourers whose interests Dr. Sun Yat-sen bequeathed his followers to protect and promote." In Shanghai Tu Yueh-sen, former detective and leader of the Green Gang, organised the Labourers' Corps to slaughter the workers. "The haosen (rascals and gentries) killed numbered only ten, but the number of peasants killed by haosen is astounding." While "many people know that the peasants are conducting a revolution in Hunan", they did not "know the cruelty and cunning of the haosen." In all districts, it was "common for the Min Tuan (landlords' militia) to lynch peasants". As "torture was freely used", a great many "peasants would either be killed outright or mutilated." The Min Tuan in Tsalian burned alive a student who had come to the district to work in the peasant movement." In Yangshih, Hupeh, the ruling class "poured kerosene over the peasants and burned them alive. In Hwangkung, they used red-hot irons to sear the flesh to kill. In Lotiem they bound their victims to trees and put them to death with a thousand cuts into which they rub sand and salt. In Tsungchang every comrade was pierced twenty times."

* * * * *

After the purge of April 12, 1927, of Bolshevism by Chiang it appeared as if the Communists were doomed. The Nationalist Government in Hankow under Wang Ching-wei and Tang Sheng-chih soon followed Chiang's example by chopping off the Reds' heads and by sending away Borodin and the Russian advisers. Sun Fo, T.V. Soong and Tan Yen-kei joined Nanking. Madame Sun Yat-sen, Eugene Chen and George Hsu Chien travelled abroad to live exiles' lives.

But then there was in Hunan a "Red Star" now known as Mao Tse-tung, not well educated from the standpoint of academic degrees, of humble origin, whose ancestral trees did not show any glories in classical examinations or in military leadership. He was struggling with a few followers against the powerful warlords who were determined to destroy all the Bolsheviks. Like a fugitive sentenced to death Mao was roaming the countryside. And he met Chu Teh, a Szechuanese, trained in Yunnan and Germany, and an ex-Chief of Police Headquarters at Nanchang who deserted his lucrative post for a revolutionary cause whose future was uncertain. Both were not sure of

their next day's meals nor of their heads. But both appeared confident that they would fight to a bitter end.

The situation changed in July 1930, when taking advantage of the anti-Chiang movement in North China by Feng Yu-hsiang and Yen Shih-shan, the new Red Army suddenly captured Changsha, threatening other Yangtze cities. Although they did not hold Changsha long, they established themselves in Kiangsi. Knowing and realising that the Communists were his deadly foes Chiang began his five expeditions against the Reds. On August 6, 1930, Chiang led some twenty divisions numbering over 100,000 men, surrounding the Communist held areas not far from Nanchang. It was known as his first anti-Red campaign. He tried to blockade the "Reds" until they were starved. His troops however smuggled foodstuffs and ammunitions to the Red territories for profit. Penetrating by five routes the regular army was defeated by the Red tactics of "swift concentration and swift dispersal"; but the Generalissimo never stopped claiming victories. Ho Ying-chin, Minister of War, was appointed to lead the Second Expedition in February, 1931. Ho marched 200,000 men into the Red areas by seven routes. Admitting Ho's forces well into their territories the Reds suddenly concentrated against the Nationalist columns in quick succession. Within two weeks Ho Ying-chin's divisions were immobilised, excepting Tsai Ting-kai's army which safely withdrew without losses.

Chiang started his third campaign on June 7, 1931, when he took command of an army of 300,000 men for the final extermination of the Red bandits. With 30,000 men the Communists however routed the Generalissimo's different columns and forced him to withdraw in October of the same year. Chiang began his fourth "extermination campaign" in April 1933. The Reds then liquidated two divisions of Chiang and captured their commanders. Chiang considered this defeat as "the greatest humiliation in his life."

Finally Chiang mobilized 400,000 men to attack the stronghold of the Reds in Kiangsi, with some other 600,000 men in adjacent provinces. By this time Chiang was supplied with German arms and ammunition. He set a price of \$250,000 for the head of Chu Teh or that of Mao Tze-tung. The Red brigades eventually had to give up the seat of their government and retreated. The fleeing Reds fought through Hunan, Kweichow, Yunnan, Szechuan, Sikong, Kansu and finally Shensi with Yenan as the new Red capital. But in October 1935, part of Chiang's best troops were destroyed in this pursuit.

In 1936, the Red armies in Shensi became strong enough to invade Shansi. They continued defeating government troops, occupied border districts and won the sympathies and support of the masses, by vague promises and trifles charities. Chiang was so enraged that he declared: "I will never talk about this (resistance to Japanese

aggression) until every Communist is in prison." He established his headquarters at Sian and put Chang Hsueh-liang as his acting Commander-in-Chief of all anti-Red forces in the North-west. Instead of fighting the Reds the "Young Marshal" conspired with them and kidnapped Chiang and his entourage in December, 1936. As a condition for his release Chiang promised that he would stop his anti-Red campaigns and prepare for a united front against Japanese aggression. But like many who broke a contract made under duress, Chiang refused to acknowledge his gratitude towards the Red delegates—Chou En-lai and Yeh Chien-ying. Instead, he imprisoned Chang Hsueh-liang and Yang Hu-cheng who took an active part in his capture.

The anti-Comintern campaigns were stopped as demanded, the patriotic leaders of the National Salvation Group, otherwise known as China's Popular Front, were set free on bail. Chang Chun, a pro-Japanese Minister for Foreign Affairs, head of the Political Science Clique and now a "liberal, democrat and pro-American statesman" was dismissed and replaced by Dr. Wang Chung-hui, a British-trained barrister and a Yale Doctor of Civil Law.

A new Army, the Eighth Route Army, was organised out of the Chinese Red troops. The Communists declared their readiness to co-operate with the National Government of the Kuomintang and to participate in a people's congress to be convoked. Thus the Sian kidnapping was the beginning of Chiang Kai-shek's recognition of the Reds' legal status since they were outlawed in April 1927.

* * * *

From the standpoint of the Chinese Communist Party, their continuity in the proletariat revolution never stopped. Even during the days of merciless persecutions in China and bitter struggles between the Stalinists and Trotskyists in Russia, the Chinese Reds did not cease their underground activities and public sacrifices for their cause. One has to study early Christian fanatic martyrs in order to appreciate their spirits.

As a student of Philosophy the writer of this article encountered controversies with Chen Tu-siu, chairman of the Chinese Communist Party, over the Red policy and strategy in the early nineteen twenties. As a chief justice of a province the writer had to protest and leave his job as the sincerity and fanaticism of his Communist prisoners made him believe that it was wrong for Chiang Kai-shek and his secret police to treat the Reds so harshly in the nineteen thirties.

After Chiang failed in his third anti-Bolshevik battle the Reds "entered a period of comparative peace and growth, and expansion was very rapid." They soon organised their de jure government. In December 1931, delegates of the First Soviet Congress gathered together at Juiking, Kiangsi, and adopted a resolution for the establishment of a Chinese Provisional Soviet Republic. Chu Teh was appointed Commander-in-Chief of the Red Armies and Mao Tze-tung assumed the chairmanship over the Soviet Government Council. In a manifesto the Chinese Soviet Republic declared that its regime, representing all of China's peasants, labourers, soldiers and other working classes, attempted to overthrow imperialism and private land ownership of the Kuomintang. The Chinese Bolshevik government befriended the USSR, the only friend of the world's proletariat. It stood against the imperialist aggressions in colonies and semi-colonies. It advocated the self-determination of various national groups. It hoped however that it might negotiate with all European and American States treaties based on the principles of equality and reciprocity by which all aliens might pursue peaceful industrial and commercial enterprises in Chinese territory. In January, 1933, the Chinese Soviet Republic declared formally war on Japan. Only the Molotov-Matsuoka Treaty of 1941 suspended the hostilities.

One salient question remains: Is the Chinese Communist Party working as a part of the Russian expansion? Are the Chinese Reds only agrarian reformers? Or are they sworn brothers and allies in war and peace with the Kremlin? Is there any possibility that Chu Teh or Mao Tze-tung may commit a volte-face like Chiang Kai-shek?

COMMERCIAL, FINANCIAL & POLITICAL DEVELOPMENTS IN MALAYA

(From Our Malayan Correspondent)

POLITICS

An event of particular political significance has recently occurred in the Federation. Aimed at restoring harmonious relations between the Chinese, both Malayan born and China born, who have made Malaya their home, an Association has been formed. This association has pledged itself to work wholeheartedly with the Government in its efforts to stamp out banditry and in the first week it obtained an impressive list of members. The association is to be

the counterpart, but on a much wider scale, of the Straits Chinese British Association which has been in existence in Singapore for many years. This latter association, however, restricted its membership to Straits-born Chinese, those who are British subjects.

The new association has been formed as a result of private conversations between Malay and Chinese leaders throughout the country, including those in Singapore, and its formation has been hailed, both by European and Asiatic leaders as a "step in the right

direction". One of the Chinese leaders who has played an active if not a leading part in its formation is Mr. Tan Cheong Lock, a former member of the Straits Settlements Legislative Council before the war and who, since the war, was president of the All Malaya Council of Joint Action, a body which was actively opposed to the new constitution for the Federation. This Council arranged or participated in a "hartial" last year as a gesture of disapproval of the new constitution. This constitution is one year old today and even in a very difficult year it seems to have worked reasonably if not very well. The formation of the new association has been interpreted in some quarters as an admission on the part of those Chinese who opposed the new constitution that they will now actively support it rather than merely tolerate it. One of the first acts of the new association is to study the new constitution in the light of the past year's working and to suggest, after further trial, what amendments to the constitution are desirable.

A movement is on foot in Penang for the secession of that former settlement from the new Federation of Malaya on the grounds that Penang has suffered commercially from its inclusion in the Federation and that British subjects in Penang are being deprived of their rights in the Federation. One of the important points that have been raised in this issue is that legislation in the Federation now is subject to the approval or consent of the Rulers of the Malay States and British subjects born in Penang have a natural dislike for this development. A committee, comprising both Europeans and Asiatics, has been set up in Penang to pursue the matter and it will be discussed at the next meeting of the Penang Settlement Council. Penang residents maintain that Penang was included in the new Federation without the consent of the people of Penang.

SHANE MARKET

In their weekly report on the share market dated Jan. 28, Fraser and Co., have this to say:—"Malayan markets had a quiet week to which the impending Chinese New year holidays contributed as do all such interruptions to trade. When we first came to Malaya this festival was sometimes preceded by annual liquidation of shares and goods by Chinese holders for which calculating buyers waited. Even before the Japanese invasion this age-old system of closing accounts and all-round settlement had ceased. The Chinese operator of today, whose influence in the local share market is steadily increasing, conducts his affairs on a continuous system no whit different from that of his European contemporary."

Commenting on the last radio talk by the Commissioner-General, Mr. Malcolm MacDonald, this firm of brokers have this to say:—"We had drafted a paragraph for last week's circular giving our ideas on the declaration of policy for Malaya which was broadcast by the chief representative of the British Gov-

The total population as officially estimated at the middle of 1948 was 1,800,000. During the last few months a further increase in the population has occurred mainly caused by self-exiled Chinese from North China and Shanghai.

The last two Census figures of Hongkong returned 625,116 people in April 1921, and 840,473 people in March 1931. Since that time there were no accurate figures available but estimates by the Medical Dept. of Government gave the population at 900,812 as at end of 1932; at 988,190 in 1936; at 1,281,982 in 1937; at 1,750,256 in 1939; at 1,821,893 in 1940. Prior to the outbreak of the war in the Pacific an Air Raid Warden's Census was carried out which returned 1,639,357 persons. After re-entry of the British, in September 1945, the population was estimated at only 600,000 but incessant immigration was quickly resumed which brought the population figure up to 1½ million by the middle of 1946. Middle of 1947, the population was estimated at 1,750,000 by the Dept. of Supplies, Trade & Industry.

Practically the whole population is Chinese (mainly Cantonese, and to a lesser degree natives or descendants of Hakka and Chiuchao people; the percentage of Northern and Shanghai Chinese has increased during the last 2 years). In 1937, an official estimate of the Chinese and non-Chinese popula-

tion stated that 98% were Chinese, the rest being people of various Asian countries and a small number of Europeans. The total number of aliens registered in 1937 was 6,444 (which includes all people of non-Chinese race excluding British subjects who do not register) and the estimate of British subjects other than Chinese race (i.e. Europeans and Asiatics, principally Indians, Eurasians) was then 16,138 persons.

Present Position

The present position of the composition of the population is as follows:—1,800,000 total, of which 3,566 registered aliens (Europeans and other races), and an estimated 12,000 British subjects of non-Chinese race (about half of European, and half of Eurasian and Asian stock). In the above figures service personnel is not included; the number of British forces' contingents in the Colony varies.

Since both Chinese and British subjects do not register there are no reliable estimates possible. The number of Chinese, born in the Colony, does not provide any clue as to the number of British subjects of Chinese race as only a small percentage have taken out British papers. British subjects include relatively large numbers of Indian (Hindu, Moslim, Parsee) residents and Eurasians (mostly so-called Macaistas, descendants of Portuguese

ernment in Malaya on Sunday, Jan. 16, but we deferred comment to check the reactions of others to the speech. We find that MacDonald's liquidate the Empire's broadcast, as it is now known, is, after twelve days, still the subject of scathing comment from responsible and loyal subjects of the King, both European and Asiatic. To hold out the promise of a state resembling that of Burma, India and Pakistan as the shape of things to come to Malaya is without question most damaging to Malaya's financial standing, and to the Financial Secretariat which has been set the task of raising a large loan. Mr. MacDonald's broadcast must have been the cause of distinct embarrassment."

The Federal Financial Secretariat in Kuala Lumpur is now considering the raising of a loan of \$100,000,000, either locally on in London, and the matter is to be discussed at the next meeting of the Federal Legislative Council in Kuala Lumpur in about two weeks' time. Businessmen of long standing in this country have found Mr. MacDonald's address almost distasteful and they are unanimous in suggesting that it has stopped the flow of capital for investment in this country.

TRADE

Malaya ended the year 1948 with an adverse overseas trade balance of more

than \$60,000,000, imports for the year being valued at \$1,789,695,741 and exports at \$1,729,239,445. These figures compare with an adverse balance of \$73,000,000, exports \$1,295,000,000 and imports \$1,368,000,000 for the preceding year.

Official preliminary figures for December's trade show that exports for the month were valued at \$117,000,211 and imports \$132,762,602, bringing the cumulative figures for the year to those stated above.

Figures for the main countries doing trade with Malaya in December were:—

	Imports (Malayan dollars)	Exports
United Kingdom	29,913,570	10,800,420
India	3,311,805	10,171,251
Burma	3,369,537	950,452
Hong Kong	2,918,518	2,102,691
Sarawak	2,673,216	2,978,318
Australia	6,446,139	4,704,184
France	864,358	6,943,132
USSR	—	4,623,860
United States of America	12,325,972	15,995,162
China	6,942,795	1,205,647
French Indo-China	2,539,676	674,824
Japan	1,190,882	2,079,013
Indonesia	22,717,558	17,704,769
Siam	13,116,457	4,130,712

settlers in Macao who intermarried with native women). Among naturalised British subjects of European stock are many naturalised Russians (found especially in Government jobs).

Among the local Chinese population a small number hold dual nationality; they possess British passports but are, according to China's principle of *jus sanguinis*, Chinese citizens at the same time. The question of loyalty sometimes arises but is never pressed. There are many Chinese of mixed parentage in Hongkong; the relatively largest number is of Eurasian descent, followed by offspring of miscegenation with Asiatic races (Indians) and Negroes (mostly West Indian).

Aliens in Hongkong

The Immigration Dept. is in charge of registration of aliens (i.e. non-British and non-Chinese people). By the end of 1948, there were registered a total of 3,566 aliens who are sub-divided by the authority into permanent residents numbering 2,037, so-called temporary visitors 207, and so-called transit/short stay visitors 1,322. As regards the permanent residents, about 1,000 to 1,100 are Europeans, some 800 Eurasians, and 150 to 180 Asians.

The most numerous among the aliens of permanent residential status are the Portuguese, 810 persons, mostly Eurasians and also some Indians (from Goa). The second strongest national group of aliens are U.S. citizens with 231. They are followed by Filipinos with 122, stateless persons (mostly "white" Russians), 141, Italians 121 (mostly priests and missionaries), Dutch 112, French 92, Peruvians 51 (mostly of Asian descent), Swiss 48, Danish 46, Mexican 37 (mostly of Chinese or mixed origin), Norwegian 31, Belgian 22, Spanish 21 (mostly missionaries), Germans 19, Czechoslovakian 17, Panamanian 14 (mostly of Asian descent), Swedish 13, Polish 11, Vietnamese (Annamites) 10, USSR citizens 8, Greek 6, Guatemalan 5 (mostly of Asian origin), Chilean 5 (mostly of Asian origin), Siamese 4, Iraquian 4, Nicaraguan 4 (mostly Asian), Columbian 4, Ecuadorian 8 (mostly Asian), and 2 each from Rumania, Austria, Bolivia, China (Europeans holding Chinese papers), Cuba, and one each from Argentina, Costa Rica, Egypt, Finland, Formosa (a person not recognising Chinese rule over Formosa), Hawaii (probably a person not recognising the U.S.A.), Hungary, Iran, Japan, Korea, Lithuania (a country which has been incorporated into the USSR), and Venezuela.

What the authority here calls "temporary visitors", numbering 207, are persons whose stay is limited and who have to apply for extension of stay in the Colony. Many of them would like to become permanent residents but the authority discourages them. The category of "transit/short stay visitors" (1,322 persons) includes many active business men who find themselves frustrated to become re-

sidents here; the authority is disinclined to see the number of aliens increase. The majority of persons under the above category are however genuine transients or business men intending to stay here only for a few weeks or months.

The total non-Chinese population of Hongkong amounts to more or less 14,000, of which number some 7,000 are Europeans (about 6,000 being British subjects). The above figures include missionaries but not service personnel (British or foreign). Not in-

cluded are also some 1,500 transient aliens.

The number of permanent residents of non-British nationality and of non-Chinese race has decreased during 1948; in December 1947 there were 2,141 aliens registered, while 12 months later the number was only 2,037. At the same time the number of temporary visitors and so-called short stay visitors increased, from 152 and 524 respectively at the end of 1947, to 207 and 1,322 respectively at the end of 1948.

HONGKONG PASSENGER TRAFFIC STATISTICS

	Monthly Average 1947	Total Jan.-June 1948	Total Dec. 1948	Total Jan.-Dec. 1948	Monthly Average 1948
					1947
(a) By Rail:					
Inward	73,545	576,267	93,008	1,149,308	95,776
Outward	84,841	659,397	91,677	1,282,993	106,916
Difference	-10,296	-83,130	+1,331	-133,685	-11,140
(b) By Sea:					
Inward	48,561	351,636	72,504	733,351	61,113
Outward	44,583	341,662	66,673	711,805	59,317
Difference	+3,978	+9,974	+5,831	+21,546	+1,796
(c) By Air:					
Inward	3,634	50,734	12,576	115,101	9,592
Outward	3,179	46,885	12,870	112,580	9,382
Difference	+455	+3,849	-294	+2,521	+210
(d) Totals:					
Inward	125,740	978,637	178,088	1,997,760	166,481
Outward	132,603	1,047,942	171,220	2,107,378	175,615
Difference	-6,863	-69,307	+6,868	-109,618	-9,135

The figures of Hongkong's passenger traffic in 1948 show considerable expansion over 1947 which is, as far as railway and coastal shipping traffic is concerned, largely due to the many small-time traders and smugglers who do business between the Colony and Kwangtung.

Railway traffic increases in 1948 over 1947 amount to 30.23% for incoming, and 26.02% for outgoing passengers. By sea, passengers entering and leaving the Colony in 1948 exceeded those of 1947 by respectively 25.85% and 33.05%.

Passengers by air increased most conspicuously, a result of growing air-mindedness of the general public. Increased arrivals in 1948 over 1947 amounted to 163.96%, and increased departure to 195.31%.

To judge by the official statistics of what is wrongly termed "Immigration & Emigration" figures there has been both in 1947 and 1948 a decline in the population of Hongkong; the contrary is true. During 1947 and 1948 the population of the Colony has not decreased but, according to semi-official estimates, has increased by about 250,000 people. Private estimates are even higher.

The flow of the population, which has been since the end of war awaiting a heavy balance of immigration, cannot be gauged by the passenger figures for rail, sea and air communications. (In the above sea passenger figures the statistics for travellers entering or leaving by junks and other native craft are not included but they were published in our issue of Jan. 19, pp. 87/8, showing again a balance in favour of emigration, but the accuracy of these figures is doubted by official sources as well as by the public for reasons previously outlined in this Review). The fact is that more immigrants (of Chinese race) have come here than have left during the last 3½ years. Statistically, the immigration excess could not be proved but the facts speak louder than statistics which is admitted by Government when estimating the increase in population as at Sept. 1945 (reoccupation of the Colony) at 600,000 only, and again estimating the population in mid-year 1948 at 1,800,000, the highest figure in the history of Hongkong.

Most Chinese immigrants have either entered Hongkong by highway (which route is not included into statistical surveys) across the land frontier with Kwangtung, by coastal steamers and junks without having been recorded (by the shipping companies only, there being no registration necessary for persons of Chinese race) or by railway without having paid passage.

HONGKONG INDUSTRIAL REVIEW

Industrial Reports

Progress in industrial activity continues satisfactorily although the tendency of reduced profit margins has recently become more pronounced. Employment level is well maintained with new factories in need of skilled labour which, however, is difficult to procure. Many previously idle or partially idle factories have resumed operations during the last one or two months and an additional number of local workers have found employment.

Registered factories at the end of 1946 were 366, during 1947 another 517 factories were registered, and in 1948 a further 286 registration certificates were issued, bringing the total, as at Dec. 31, 1948, up to 1,169. In these factories 63,873 workers were employed, about 10% more than one year ago. In unregistered factories and workshops not liable to register some 15,000 workers found employment and their number has increased during January.

As regards registered factories and workers, the leading employer remains the textile industry which accounts for 24.01% of total employed labour in Hongkong. It is followed by the metal industry (mainly factories producing metal wares, torches and enamelware) with 17.39%, the shipbuilding industry with 15.23%, the rubber, joss sticks, toilet goods, cement and miscellaneous goods producing industries with 11.4%, the food, drink and tobacco industry with 8.34%, the printers with 5.06%, the clothing industry with 2.48%, and the chemicals, paint and oil installation industry with 2.44% of total workers.

The number of applications for registration received by Government during January was 29, 11 being in Hongkong and 18 in Kowloon. These applications comprised: 4 metalware producers, 8 printing establishments, 2 noodle factories, and one each knitting factory, flour mill, dye works, cold storage, torch factory, engineering works, saw mill, laundry, plastic blocks factory, mining works, battery factory, biscuits and confectionery factory, calendering (cloth) factory. Registration certificates issued in January were 22, bringing the number of registered factories and workshops since 1946 to 1,191. Total number of applications received since 1946 as at January 31, 1949:—1,364 (excluding those cancelled).

Business Conditions in January

A recent addition to Hongkong's industries is the aircraft overhaul and repair industry which employs 345 men (all at Kaitak) but is gradually expanding. The two concerns (Jamco and Pamas, as outlined in our issue of Jan. 26, pp. 103/5) follow an ambitious program which aims at making Hongkong into a centre of aircraft overhaul and repair in the Far East.

The local dockyards continue to be fully occupied with repairs and some new building. Besides the two major dockyards and one medium dockyard, there are another 16 smaller shipbuilding and repair yards in the Colony employing together 9,729 workers.

Cotton spinning mills are producing to capacity; while in September there were only operating 3 mills, employing 861 hands, by the end of last year already 6 mills with 1,755 workers were producing yarn for local knitting and weaving mills. Another mill is about to start operation. The knitting mills in the Colony, numbering at present 183, employing 5,084 workers, and the weaving mills, at present 151, with 6,488 workers, report generally better than average working results and continued inflow of orders from abroad. Similar reports come from the garments makers, the caps and hat industry and the buttons factories. Export orders would be still heavier if only local prices could be reduced; but as cost of living here does not show any declining trend while overseas manufacturers are gradually lowered in price the problem of competitive ness assumes a serious character.

Output of leather shoes has notably increased while rubber canvas shoes continue in the doldrums. The rubber goods industry, producing tyres, toys, scles etc., is well employed with orders.

High building activity in Hongkong keeps cement, brick, tiles, blocks, construction works very busy and plumbers, furniture makers and metalware factories are enjoying very good profits. The building boom will last for the current year if not longer and all industries connected with house construction in one way or another can look forward to continued prosperity.

Canned foods, soy sauce, gourmet powder, confectionery find appreciative markets abroad, especially in South East Asia. Preserved ginger sales are better than average. The tin can makers are participating in the good business of the aforementioned food industries.

A local factory making pianos has recently started off with success. There are 20 men employed but local and foreign orders may soon necessitate expansion of production.

Rattan furniture and camphor wood chest makers have been shipping their goods abroad at a higher rate than for many months past. Native handicrafts, such as ivory and wood carving, have enjoyed excellent business results, due largely to the holiday period which just came to an end with the Chinese New Year festivities.

Local and Macao firecracker makers had, as everybody can testify after the interminable "bombardments" during the Chinese New Year days, excellent sales here and abroad with still large unfulfilled orders on hand.

During January there was also a considerable increase in activity in the manufacture of electrical hand torches

and also in some of the skilled trades, such as small component parts and electro-plating, following the lifting of import restrictions in India. Good markets continue to be found for enamelware, paints and varnishes, needles, and buttons, and production is maintained at a high level.

A proposal is on foot to reopen the iron ore mine at Shatin, the iron ore to be exported to Japan. This would employ around 500 people.

Hongkong Industries at the British Industries Fair

At the forthcoming B.I.F., London, over 80 local companies will exhibit their products. Every export industry here has taken up space at the B.I.F. and made adequate provisions to supply visitors at the Fair with all necessary information and catalogues supplying all data of interest and use to prospective foreign clients. The exhibits propaganda material will leave Hongkong at the beginning of March and will arrive in London about middle of April so as to allow for ample time in decorating the Hongkong stall. The space measures 600 square feet (against 340 of last year) which is, to the last inch, utilised by Hongkong manufacturers and commercial companies. Several trading firms, showing their agencies and products in which they deal, will also be represented at the Fair.

The "Far Eastern Economic Review" is also exhibiting at the B.I.F. A large number of copies will be distributed to visitors who thus should obtain useful information about the trading facilities which the Colony offers, the potential of Hongkong's manufacturing industries and the wide area which, through Hongkong, can be commercially developed.

The Hongkong trade delegation to London will be headed by Mr. U Tat-see. It will comprise 16 members, representing the leading products of Hongkong's industries. The Superintendent of Imports & Exports Department who also is Convenor of the local B.I.F. Committee, Mr. Eric Hinsworth, will be present at the Fair. The General Chamber of Commerce will be represented in London by its Secretary, Mr. J. B. Kite.

* * * *

HONGKONG LABOUR UNIONS

At the end of 1948 there were 114 labour unions registered with further registrations continuing in January at the office of the Registrar of Trade Unions (concurrently the Commissioner of Labour). The membership of these 114 unions was about 73,257.

Two unions had together 13,331 members, one union 3,342 members, 3 unions 6,798, 5 unions 8,453, 10 unions 11,670, 24 unions 15,940, 8 unions 3,441, 13 unions 4,327, 12 unions 2,798, 17 unions 2,297, and 19 unions had together 860 members.

According to the industrial distribution of membership of registered trade unions, there were 706 workers and other members of unions in agriculture and horticulture, 330 in pottery and glass manufacture, 10,917 in metals, machines and conveyances, 1,117 in cotton spinning, 850 in other textile mills, 1,445 in tailoring & cloth making, 694 in shoe making, 3,250 in printing, 7,050 in building, furniture, public works contracting, 4,541 in water transport, 12,116 in other transport and general labour, 3,564 in commerce and distribution, 703 in entertainment, 12,527 in other groups; and 2,112 in Government (Imperial) and 3,876 in local Government services.

The formation of one or more labour federations is delayed because of lack of unity among local workers and their leaders. The possibility of two federations emerging has been discussed last year; one would be in close contact with the Chinese Communist Party (although not affirmed in so many words) and the other federation is to be more or less dominated by Kuomintang headquarters. Recent political changes in China, with the possible liquidation of the KMT, might result in the establishment of one federation only. The question is a political one in spite of much persuasion and exhortation applied by local officials who, in the interest of public peace, wish to eliminate any political influence on local workers. However, the fact remains that Chinese politics is the major consideration in the formation of one or more labour federations in the Colony.

Most unions, however, have professional aims only, that is the elevation of the labourer's standard of living and the promotion of working efficiency. The pull of political influence from China is so insistent, accentuated as it is by recent conspicuous successes of the Communists both in the military and the administrative fields, that the increase of political consciousness among local workers should occasion no surprise.

Registered union members are, as above, about 73,257 but this figure includes also—with regard to a number of unions—employers and tradesmen, commercial employees and people on the staff of the Imperial and local Governments. Industrial labour (employed and unemployed) is estimated at 100,000 alone. As registration of unions proceeds, the number of members will soon exceed this figure, coming probably up to 120,000 to 130,000 within a few months when practically all trade unions will have been formed and registered.

Industrial Disputes

In 1948, there were 8 stoppages of work, involving 2,676 workers, and causing the loss of 87,316 working days. The main loss occurred in the transport industry where there were 3 strikes, involving 816 workers with a loss of 63,606 days. Next in importance came one strike in the distributive industry, involving 300 workers and the loss of 10,500 working days;

two strikes in the textile industry, 240 workers, 8,050 working days;—two strikes in miscellaneous industries, 1,320 workers, 5,160 working days.

Against 1947 and 1946, the strike position greatly improved in 1948. In 1947 there were 12 strikes, involving 13,887 workers with a loss of 294,092 working days; the respective figures for 1946 were: 14 strikes, 16,809 workers, 108,039 days. The biggest work stoppage after the war occurred in 1946 in the shipbuilding industry when at one dockyard 11,000 workers went on strike, causing the loss of 236,460 working days.

The year 1948 was remarkably free of major labour trouble. All stoppages were of a minor character. Cooperation between management and labour was, on the whole, harmonious. Some apprehension was voiced by labour leaders here when the Employers' Federation was established but as there was no foundation for any anxiety and management always showed its sincerity in meeting justified demands by organised labour good relations were maintained throughout the year.

There is no doubt that industrial peace can continue here provided that political influence from China can be reasonably contained. It is in the mutual interest that orderly conditions and genuine cooperation are not upset. The new regime of China will not interfere in local capital-labour relations—at least not for a long time to come, that is until the regime has been firmly established and rehabilitation of the war-ravaged economy of China shows definite signs of return to normalcy. Then the "problem of Hongkong" might be tackled.

EMPLOYEES IN HONGKONG GOVT. DEPARTMENTS

The present estimated number of employees in all Government Departments is 21,236, of which there are 7,349 in permanent employment, 9,520 on a temporary basis, and 4,367 daily employed.

As to permanent employees the largest number is in the Police, 3,517 persons, accounting for 47.8% of the total. Next come employees in the Medical Dept., 748 persons, 10.2%. Next follow the Departments of Fire Brigade with 447, Education 348, Public Works 293, Development 249, Prisons 228, Imports & Exports 217, Post Office (incl. telecommunications) 202, Civil Aviation 185, Supreme Court & Legal 103, Treasury 94, Colonial Secretary 95, Social Welfare 82, Railway 85, Marine 68, Sanitary 65, Stores 63, Inland Revenue 54, Government House 42, Observatory 29, Aavit 27, Labour Office 18, Chinese Affairs 13, Rating & Valuation 13, Supplies, Trade & Industry 9, Volunteer Defence Corps (incl. Naval) 7, Public Relations 2, Custodian of Property 1.

As regards temporary employees, the largest number (43%) are with the

Sanitary Dept., 4,139 persons. Then come employees in the Medical Dept. 2,027 (21.2%), and 596 in Marine Dept.

Among the daily paid employees of Government the most numerous group is in the Public Works Dept., with 3,120 persons accounting for 71.3%.

In order to trim the over-staffed departments and insure higher efficiency, Government has secured the services of an expert whose recommendations should eventually lead to more satisfactory cooperation between the public and the administration. The so-called Efficiency Expert's report is awaited with equal anxiety by business men and Government.

On higher levels, the local administration is badly understaffed; the immense work done by civil servants in higher positions deserves of the gratitude of the community. It is these men who are mainly responsible for the smooth and orderly running of the administration. Efficiency, energy, integrity are the distinguishing qualities of the members of the senior civil service in Hongkong. Where, however, reform is necessary and urgent is on the lower levels and to achieve some progress in this respect the Efficiency Expert's service will be of inestimable value.

HONGKONG MILK PRODUCTION

The total amount of fluid milk produced by the dairies in the Colony during 1948 was 515,843 gallons, a monthly average of 42,987 gals, as against the monthly average in 1947 of only 32,544 gals. The leading dairy accounting for the majority of milk production is the Dairy Farm, Ice & Cold Storage Co. Ltd., a British concern which also holds a unique position in Hongkong's restaurant and cafe industry. Other dairies are small and their milk does not enjoy general confidence among the public.

December production of fluid milk was 46,294 gals (previous months' output were published in our issue of Jan. 5, page 13).

Against the preceding year, the production in 1948 amounts to an increase of 32.09% which figure not only well expresses the degree of progress achieved by the dairies during last year but also goes to prove the advance in the population's prosperity. In addition to locally produced milk large quantities of fluid milk from abroad and condensed, evaporated and powdered milk were imported and consumed in the Colony.

HONGKONG CEMENT PRODUCTION

During 1948 cement production aggregated 53,219 metric tons, the monthly average having been 4,435 tons. Highest production was reached in December with 5,287 tons, previous record was achieved in October with 4,725 tons.

The monthly average in 1947 was 2,852 tons but in that year the cement company had not yet fully started operations as new machinery arrived several months after the beginning of the year.

Compared with the 1947 average production figure the advance in 1948 amounted to 55½%.

Cement is produced here by the Green Island Cement Co., Ltd., a British managed public company. All production which is pricecontrolled is taken up by the local building industry but supply is far short of requirements so that large quantities of foreign cement had to be imported last year. The industry saw one of the greatest building booms in the history of the Colony.

* * * *

Conditions of Labour in Far Eastern Countries

Occupational distribution of labour does not necessarily correspond with occupational distribution of population, as those gainfully employed in agriculture, manufacture, or other occupations are not all labourers, in the sense that they depend upon wages as their primary source of income. Among those gainfully employed more labourers are found in industry than in agriculture, those employed in agriculture (except plantation labour) are in many cases peasants, proprietors, tenants, or part owners, not labourers. Agricultural labour, being more dispersed and working on small farms, is more poorly organized than industrial labour. Labour, however, is not confined to agriculture and manufacturing industry, but is very important in public utilities and essential services.

Sources of labour supply differ. In over-populated China and Japan industrial labour comes largely from the rural areas. The rapid progress of urbanization in Japan is reflected in the rising proportion of urban population in the total population, from 32.2 per cent in 1920 to 50.1 per cent in 1940. In China the extent of urbanization has been very slow. In South-east Asia, except in over-populated areas as Java and the Tonkin delta, labour is generally inadequate to meet requirements of large-scale enterprises. Where numerically adequate, labour supply is either poorly distributed in relation to areas of employment or fails to respond to opportunities offered. The industrial development of the entire area suffers from lack of full-time services of skilled labourers. Some of the factory employees form the only stable, trained groups of workers. They comprise a small proportion of the population. Therefore, resort has to be made to immigrant labour from the over-populated areas in southern China, southern India, and to a limited extent, in Java, for supply. This gave rise to the waves of emigration in pre-war years.

In many Far Eastern countries certain systems of employment that have long been relegated to the earlier stages of agricultural and pre-industrial development in western countries are still practised; these include forced labour in agriculture and public works, and contract labour among immigrant workers in South-east Asia. Two types

of forced labour may be distinguished, agricultural servitude to private interests including landlord, merchant and money lender on the one hand, and compulsory labour service for authorities on the other. Agricultural servitude to private interests still survives in China. The employment of domestics by landowners for household work as well as in the fields in Kwangsi province is an instance in point. Persons so employed are bound by custom to continue in service. Moreover, in most districts of this province tenants appear to be under an obligation to render certain services to the landlord for nominal wages. It is not unusual for peasants who are heavily in debt to discharge it by rendering service to the creditor for a specified period.

The mobilization of local labour in sparsely populated areas by the authorities for the building of roads, bridges, other public works or for transport services, still survives. However, the conditions of employment have been regulated in most parts in recent years. This system is by its very nature open to serious abuses. During wartime extensive resort was made to labour conscription in China, Burma, Malaya, Indo-China, Indonesia, and Siam. In the post-war years, Japanese prisoners of war have been similarly employed by the Governments of victorious nations in the region.

Contract labour existed mostly in pre-war days for the recruitment of immigrant labour from China and India to Malaya, Siam, and other South-east Asiatic countries. Known under different names, such as 'kangany recruiting' of Indians, 'mastry system' in Burma, 'pig business' among Chinese, 'indenture system,' or 'contract labour,' the essence of the system lies in the exploitation of a group of hard pressed, ignorant, illiterate and unskilled workers by their fellow compatriots for coolie labour in mines (tin), estates (rubber, tea, etc.), and other newly developed enterprises, under contract terms concluded between the coolies and their indirect employer, the contractor. In the post-war years immigrant labour is being regulated not only by the emigrant countries like China, India, and Indonesia (which before sent Javanese labour to Malaya), but also by the receiving countries, the former for the sake of national pride and concern over welfare of their own people overseas, and the latter because of reduced demand and increasing nationalistic sentiment against immigrant labour.

Employment Situation

The employment situation in the Far East has tended to deteriorate since the conclusion of war. Unemployment usually follows demobilization accompanied by sudden suspension or contraction of operations in war plants. Return to civilian employment has failed to keep pace with the rate at which demobilization has been carried out, and as a consequence, in countries like China and Japan, surplus labour has become a serious problem. Government programmes for retraining, redirection, and provision of employment opportuni-

ties by means of public work and employment exchanges are limited in scope, as governments are heavily burdened financially by costs of rehabilitation and repatriation.

Another cause for increase in unemployment, and under-employment, is the shortage of raw materials and equipment. In all countries, there has been a shortage of raw materials to keep existing plants going, or to secure parts or replacements for equipments existing. In China and Japan where plants are not lacking, shortage of foreign exchange to purchase raw materials is keeping them partly idle.

Still another factor is civil war and disturbance which makes it impossible for many plants to resume operation and to absorb the workers. The most notable example is China where civil war has steadily increased in magnitude. In Indonesia and Indo-China, conflict between the metropolitan authority and native revolutionary groups hindered normal production and employment.

In China, the progress of hyper-inflation has reached a stage when the whole cost-price structure has been upset, and hoarding and speculation, instead of production, is assuming increasing proportion. Factories are finding it difficult to keep up production; it is a general practice for the plants to operate a few days in the week, and to suspend operation where it is possible not to arouse too much opposition from organized labour groups.

In countries more fortunately situated, employment tends to increase. In Hongkong refugees from South China were arriving for employment, and the flight of capital from China, followed by the flight of manpower (especially capitalists and entrepreneurs), has been bringing to the colony a period of industrial activity. In Burma, the wartime replacement of alien by native labour and the nationalistic policy of the new Government, are providing more employment to the native population.

According to the Chinese Social Affairs Ministry there are 1,004,356 industrial workers in 14 principal cities of China. Of this total Shanghai has 32.7 per cent, Tientsin 17.2 per cent, Mukden 14.4 per cent, Taiwan 10.4 per cent, and other ten cities 25.3 per cent. These workers are distributed by industries as follows: Textile, clothing, etc., 54 per cent; food, 14.8 per cent; metal and machinery, 24.3 per cent; others 16.9 per cent. Industrial labour in Shanghai: 328,800; in Canton 76,300.

Civil war in China has affected seriously the employment situation. Although the problem of general demobilization does not arise in China because of conscription yet industrial depression, resulting from disruption of transportation and consequent interruption of trade as well as reduction of imported raw materials and equipment to feed the factories, is bringing about a state of unemployment and under-employment which, together with the constant rise in the inflationary spiral, is working considerable hardship upon the labouring population. A few have retained jobs at a pay higher in real terms than in pre-war days but many non-union workers, although willing

enough to accept employment at reduced wages, are unable to find vacancies because these are usually filled by union members. In industrial and commercial establishments still able to keep up operations under daily worsening prospects, much under-employment prevails, especially among the piece workers, through the sharing of work. The overall situation in principal centres is rendered even more difficult by the influx of refugees from the countryside ravaged by civil war.

Wages, Cost of Living, Hours of Work

Although money wages have risen under inflationary conditions cost of living has shot up further. As a result, real wages in post-war years, especially during 1947, have declined. China is in this respect an exception, and workers in principal cities have in many cases been paid real wages at a higher level than the pre-war (1937) scale. Workers in Japan enjoyed an improvement in their real wages during the period of war, the 1945 index being 24 per cent greater than the 1937 figure for male workers and 48 per cent higher for female workers. Defeat and surrender brought about a drastic reduction, for by June 1946 the real wages of male workers were reduced to one quarter, and those of female workers to one third, of the 1937 level. Since December, 1946, SCAP index has pointed to a rapid recovery in the real wage position, although at present the

real wages for Japanese workers are still below the pre-war level.

In Burma and the Philippines, where prices have tended to fall since the conclusion of war, the fall from the pre-war level of real wages on account of the war seems to have been made good, and last year's level of real wages seems to have approached the pre-war.

No cost of living indices are available for Malayan Union and Singapore, as well as Hongkong; real wages have at best only approximated the pre-war level.

In Indo-China and Indonesia, internal disturbance and conflict between the Metropolitan Government and local revolutionary elements have brought about serious post-war inflation and consequent rise in the cost of living. Money wages have risen as compared with pre-war, but cost of living has gone up much further. Real wages are at best not more than half of the pre-war level.

While minimum wages are being introduced, as in the Philippines, allowances—cost of living, rehabilitation, or family—have been applied as a means to supplement the reduced basic rates of pay, in Burma, Hongkong and Indo-China.

In nearly all Far Eastern countries hours of work have been regulated by law since the thirties, by the Factory Act in Burma, China and Japan, by the Labour Code or Ordinance in Hongkong, Malaya and Singapore, by con-

tract and other labour laws in Indo-China and Indonesia. In countries employing alien contract labour, the hours of work for such labour were subject to legal regulation earlier than for non-contract or indigenous labour, chiefly because of rampant abuses practised alike by the employers and by the contractors. In the Philippines, hours of labour have been regulated by the Light-Hour Labour Law of 1939. The principal of 8-hour day is being gradually introduced in China, Japan, Malaya and Singapore, Indo-China, although in countries affected by seasonal employment such as rice mills in Burma and Siam, or rubber and tea plantations in Indonesia, 9-hour day plus a rest period of an hour or more is still being practised. The number of working hours per day, however, varies between European-owned and Asiatic-owned enterprises, the former usually requiring fewer hours than the latter. Similarly, working hours are generally shorter in heavy industries operated under continuous process than in light industries such as textiles. The practice of providing rest periods after continuous work of five or six hours is also recognized by law. Such rest period varies from half an hour to one hour, in some cases even longer (e.g. estates or plantations). One rest day in the week, usually Sunday, is required by law in China, Japan, and Indo-China. Annual holidays with pay are also common in China and Indo-China.

Hongkong Exporting Industries

Following are values in HK\$ of eleven manufactured articles which are traditionally exported from the Colony, viz. Preserved Ginger, other Preserves, Soy Sauce, Canvas and Rubber Shoes, Electric Torches and Batteries, Rattan Furniture, Rope, Trunks and Suitcases, Lamps and Lampware, Hats & Caps, Umbrellas.

Year	Preserved Preserves		Soy	Boots and Shoes		Electric Flashlight Batteries		Rattan Furniture		Rope	Trunks & Suitcases		Lamps & Lampware		Hats & Caps		Umbrellas	
	Ginger (excl. Ginger)	Preserves		(Canvas & Rubbers)	Torches & Batteries	Rattan	Furniture	Rope	Trunks	Lamps	Hats	Caps	Umbrellas					
1939 ..	2,795,171	705,173	559,128	8,035,431	5,279,121	785,934	832,298				1,028,689	326,059	1,085,380	418,650				
1946 ..	372,650	3,715,959	142,167	3,106,910	8,321,295	973,849	721,830				2,150,347	665,019	1,519,512	77,965				
1947 ..	3,341,437	5,655,165	944,863	9,915,147	17,374,179	1,892,514	986,908				3,195,095	4,356,721	1,243,668	2,980,905				
1948 ..	9,509,830	4,341,829	3,091,335	12,325,259	19,144,475	2,134,282	1,154,322				3,414,803	2,984,766	2,651,126	5,889,569				

Local manufacturers are generally not communicative and prefer to keep most relevant data as regards production to themselves, being apprehensive of competition encroaching on their markets. Even various manufacturers' organisations are not able to collect from their members correct figures particularly as to the export business.

Consequently it is only possible to arrive at figures for locally manufactured export goods by taking the declared export value of a given commodity and deduct the import value of the same commodity. Thus, for example, total imports of preserved ginger in 1948 were valued at \$6,820, while total exports valued \$9,516,650, leaving a balance of \$9,509,830, as

above, which represents approximately the value of locally manufactured preserved ginger. Similarly with umbrellas: imports in 1948 valued \$979,367, exports \$6,868,963, balance (exports of locally made umbrellas) \$5,889,596.

The above figures for 1948 show that in most of the 11 local selected industries export results were better than in 1947 while only two industries (preserves, lamps) had reduced business. The export value of the products of the 11 selected industries of Hongkong during 1948 was \$65,614,623 against 1947 export value of \$51,886,602.

Thus, the increase in 1948 over 1947 amounted to 26.45%. If the export

results achieved by the manufacturing industries as above are an indication for the export business of other local industries (the principal group being the textile industry) then 1948 should have been regarded by factory owners as satisfactory compared with 1947.

The most remarkable progress in export business of local industries has been recorded in the preserved ginger, soy sauce, hats & caps, and umbrella industries. Compared to 1947 values, those of 1948 showed the following increases:—soy sauce 227.2%; preserved ginger 184.6%; hats & caps 113.2%; boots & shoes (rubber canvas shoes) 24.3%; rope 16.9%; rattan furniture 12.8%; and electric torches and flashlight batteries 10.2%.

HONGKONG INDUSTRIAL LABOUR

as at December 31, 1948

— 2 —

INDUSTRY	No. of Factories	M.	F.	T.	Average No. of Employees per factory
Group I (Metal & Chemical Industries)					
Engineering:	75	1,234	24	1,258	16.8
Electrical Engineering; Radio Sets (Repairing & Maintenance)	2	13	5	18	9.0
Construction & Repair of Vehicles:	4	410	—	410	102.5
Motor Vehicles, Cycles & Aircraft; Shipbuilding & Ship Repairing; Shipbuilders	19	9,532	197	9,729	512.0
Other Metal Industries:	18	570	37	607	23.7
Stove, Grate, Pipe etc. & General Iron-founding; Foundry	4	955	90	382	18.1
Electric Apparatus, Cable etc.; Electric Bulbs for hand torches	107	2,342	1,637	3,979	283.5
Electric Hand Torch Batteries	11	128	315	443	40.3
Other Metal Industries:	2	149	44	193	96.5
Aluminium Wares	20	292	179	1,134	1,397
Electro Plating	4	955	179	1,134	283.5
Enamel Wares	12	89	227	316	327.0
Metal Wares	1	161	166	327	327.0
Needles	1	—	—	—	—
Silver Refinery	15	402	230	632	42.1
Tin Cans	18	762	2,220	2,982	165.6
Torches, electric, hand	2	19	3	22	11.0
Wolfram Ore Refinery	—	—	—	—	—
Chemicals, Paints, Oils, etc.:	4	52	17	69	17.2
Chemicals	5	24	6	30	6.0
Dye Stuffs	26	18	44	22.0	22.0
Manganese	12	89	227	316	26.3
Medicines	1	1	—	1	1.0
Zinc Oxide Manufacture (Zinc Powder)	3	541	100	641	213.7
Paint, Varnish, etc.:	9	164	105	269	29.9
Oil, Glue, Soap, Ink, etc.; Camphor (Oil & Powder)	2	13	—	13	6.5
Glue Gelatine	1	9	3	12	12.0
Kerssen Refinery	1	—	—	—	—
Oil Installation	3	541	100	641	213.7
Peppermint Oil	1	6	—	6	6.0
Soap	4	55	105	160	40.0

INDUSTRY	No. of Factories	M.	F.	T.	Average No. of Employees per factory
Group II. (Basic Industries)					
Public Utilities (Electric Lights, Gas Works, Tramways, Telephone)	8	3,086	8	3,094	386.7
Group III. Other Manufacturing Industries & Services	26	231	14	245	9.4
Food, Drink & Tobacco:	—	—	—	—	—
Grain Milling; Flour & Rice Mill	19	492	354	846	44.5
Bread, Biscuits, etc.	5	81	9	90	18.0
Biscuits & Confectionery	6	144	87	231	38.5
Other Food Industries	3	44	260	304	101.3
Bean, Curd	3	264	3	267	89.0
Canned Goods	10	110	315	425	42.5
Cassia, Sorting	3	121	57	178	59.3
Cold Storage	5	56	7	63	12.6
Ginger & Fruits (Preserved)	1	7	—	7	7.0
Gourmet Powder	3	51	31	82	27.3
Ice	1	11	4	15	15.0
Jam Making	7	143	2	145	20.7
Meat (Dried)	1	3	—	3	3.0
Noodles	1	30	20	50	50.0
Peanut Oil	7	372	263	635	90.7
Soy & Sauce	3	38	—	38	12.7
Drink Industries:	—	—	—	—	—
Aerated Water	1	12	2	14	14.0
Beverages	7	260	30	290	41.4
Distillery	3	141	51	192	64.0
Tobacco, Cigarettes, etc.	—	—	—	—	—
Tobacco	183	1,566	3,518	5,084	19.0
Textile Industries:	—	—	—	—	—
Cotton Spinning:	6	984	771	1,755	292.5
Cotton Mill	6	29	4	33	5.5
Cotton Weaving:	6	6	13	19	3.3
Cotton (Teasing)	—	—	—	—	—
Handkerchiefs	—	—	—	—	—
Knitting	5	27	94	121	24.2
Shoe Laces	4	24	10	34	8.5
Tapes	3	47	60	107	35.7
Thread	151	1,822	4,666	6,488	43.0
Weaving (Cotton)	—	—	—	—	—
Silk, Rayon, Nylon, etc.	—	—	—	—	—
Weaving (Silk)	7	436	284	720	102.9
Hosiery:	—	—	—	—	—
Hosiery	16	57	351	408	25.5
Hemp, Rope, Cord, etc.:	—	—	—	—	—
Grass Mats	1	16	8	24	24.0
Gunny Bags	1	11	—	11	11.0
Rope Works	1	126	48	174	174.0
Twine	2	14	22	36	18.0
Other Textiles:	—	—	—	—	—
Cloth (Caledenring)	7	101	9	110	15.7
Textile Bleaching, Dyeing, etc.:	13	209	4	213	16.4

— 3 —

— 4 —

INDUSTRY	No. of Factories	Average No. of Employees per factory	M.	F.	T.	INDUSTRY	No. of Factories	Average No. of Employees per factory	M.	F.	T.
Other Manufacturing Industries:											
Cement, Whiting, etc.:	1	282	9	291	291.0	Tanning, Currying, etc.:	5	136	—	136	27.2
Cement Works	1	8	—	8	8.0	Tannery
Gypsum Powder	1	27	—	27	6.7	Clothing Industries:	25	237	417	664	26.2
Rubber:	4	29	—	29	14.5	Shirts, Collars, Underclothing, etc.:
Rubber Tyre Soles	2	4,371	4,371	89.2	Garments & Shirts	10	196	268	464	46.4	
Rubber Wares	49	3,144	—	—	Hats & Caps	10	136	169	305	30.5	
Brushes & Brooms:	3	52	5	57	Other Dress Industries	2	—	15	15	7.5	
Toys & Games:	3	7	—	7	Buttons .....	.....	.....	.....	.....	.....
Mahjong Sets	1	9	—	81	Embroidery .....	.....	.....	.....	.....	.....
Toys	2	72	—	72	Boots, Shoes, etc.:	3	131	17	148	49.3	
Other Industries:	4	57	78	135	Shoes .....	.....	.....	.....	.....	.....
Bakelite Wares	1	5	—	10	Woodworking, etc.:	6	108	4	112	18.7	
Cork (Bottles)	1	24	8	32	Furniture .....	.....	.....	.....	.....	.....
Face Powder	5	101	200	301	Furnituring	6	—	—	—	—	
Feather (sorting & cleaning)	1	9	—	9	Sawmilling	29	297	30	327	11.3	
Fibre Travelling Cases	1	20	60	80	Saw Mills .....	.....	.....	.....	.....	.....
Fire Crackers	1	4	18	22	Wood Boxes & Cases, etc.:	7	281	—	281	40.1	
Fishing Nets	1	12	—	12	Camphor Wood Trunks .....	.....	.....	.....	.....	.....
Ivory Wares	3	25	—	25	Paper, Printing, etc.:	.....	.....	.....	.....	.....
Joss Sticks	3	190	125	261.0	Paper & Paper Board:	.....	.....	.....	.....	.....
Matches	4	728	1,044	1,044	Paper (Dyeing)	2	88	27	115	57.5	
Mosquito Sticks	3	23	39	62	Card Boxes, Paper Bags, etc.:	4	46	97	143	35.7	
Perfumery	7	77	101	178	Paper Cards .....	.....	.....	.....	.....	.....
Plastic Wares	3	27	6	33	Card Boxes	3	22	5	27	9.0	
Polishing Compound	1	2	—	2	Stationery Requisites (not Paper):	.....	.....	.....	.....	.....
Rattan	6	203	50	253	Abacus Manufacturers	1	6	—	6	6.0	
Umbrella Making	2	54	78	78	Pencils	4	—	—	—	—	
Group III. (Non-Manufacturing Industries and Services)											
Laundry & Dry Cleaning:	17	388	58	446	26.2	Printing, Ink	1	5	—	5	5.0
Laundry	17	33	—	33	News Papers	9	618	12	630	70.0	
Motion Pictures, Film Studio	1	10	2	12	Brick, Tile, Pipe, etc.:	.....	.....	.....	.....	.....
Motion Pictures	2	356	109	465	6.0	Brick Works	4	342	89	431	107.7
Bone Grinding	1	8	—	8	Cement Works	2	49	8	57	28.5	
Construction Work	1	30	11	41	Cement Blocks	3	74	22	96	32.0	
Grinding of semi-precious stones	1	—	—	—	Glass & Glass Bottles:	.....	.....	.....	.....	.....
Marble Works (Cutting and Polishing marble)	2	—	—	—	Glass Manufacture:	19	548	128	676	35.6	
Totals:	1,266	38,783	25,090	63,873	Glass	6	71	—	71	11.8	
					Mirrors .....	.....	.....	.....	.....	.....
					Glass Bottles	4	152	111	263	65.7	
					Vacuum Flasks .....	.....	.....	.....	.....	.....

DISTRIBUTION OF NUMBER OF EMPLOYEES IN REGISTERED AND RECORDED FACTORIES OF HONGKONG

INDUSTRY	Total Employees March, 1948	% of Grand Total	Total Employees December, 1948	% of Grand Total
Group I. (Metal & Chemical Industries)				
Engineering	1,135	1.88	1,276	2.00
Construction and Repair of Vehicles ..	50	.09	410	.64
Shipbuilding and Ship Repairing	11,366	18.75	9,729	15.23
Other Metal Industries	5,794	9.56	11,108	17.39
Chemicals, Paints, Oils, etc.	1,556	2.57	1,561	2.44
Group II. (Basic Industries)				
Public Utilities (Electric Light, Gas Works, Tramways, Telephone)	2,943	4.86	3,094	4.85
Group III. (Other Manufacturing Industries and Services)				
Food, Drink and Tobacco	4,975	8.21	5,328	8.34
Textile Industries	13,172	21.71	15,337	24.01
Leather Industries	157	.25	136	.21
Clothing Industries	1,528	2.52	1,586	2.48
Woodworking, etc.	578	.95	720	1.13
Paper and Paper Board	455	.75	258	.41
Cardboard Boxes, Paper Bags, etc.	24	.04	27	.04
Stationery Requisites (not Paper)	100	.16	135	.21
Printing, Publishing and Bookbinding, etc.	3,569	5.88	3,232	5.06
Bricks, Tiles, Pipes, etc.	501	.82	584	.92
Glass and Glass Bottles	1,006	1.65	1,010	1.58
Other Manufacturing Industries	11,452	18.88	7,337	11.49
Group III. (Non Manufacturing Industries and Services)				
Laundries	224	.36	446	.70
Motion Pictures, Film Studio	—	—	33	.05
Miscellaneous	65	.11	526	.82
Totals:	60,650	100.00	63,873	100.00

HONGKONG CONSUMPTION OF ELECTRICITY

(in Kilowatt hours)

	Monthly Average 1947	Total Jan.-June 1948	December 1948	Total 1948	Monthly Average 1948
Lighting ...	3,298,718.00	24,566,409	4,870,800	52,153,720	4,346,143
Power ...	1,244,540.71	20,566,531	4,646,222	45,301,708	3,775,142
Traction ...	631,524.50	4,391,936	782,666	8,889,624	740,802
Bulk Supply Consumers	2,340,809.42	19,755,142	4,335,132	42,841,371	3,570,114
Public Lighting	71,710.92	509,838	116,104	1,125,580	93,798
Total ...	7,587,303.55	69,689,856	14,750,924	150,312,003	12,526,000

During 1948 the two electric power plants of the Colony succeeded in fully rehabilitating themselves. Consumer demand was satisfied and provisions have been made to meet future demand coming from new industries in Kowloon and the New Territories. New generators have been installed and more plant is to arrive in 1949. Prices charged for electric current while much higher than before the war are considered moderate by industrial and household users.

Compared with the monthly average consumption in 1947 the increase in 1948 amounts to 65.1%. Consumption in December 1948 was 94.42% higher than the 1947 average, which is a most impressive figure reflecting the progress achieved in local manufacturing industries, the increase in households consuming electricity and the growing modernisation of Hongkong.

Consumption of current for lighting purposes accounted for 34.69% of total consumption while bulk consumers accounted for 28.51%; power consumption accounted for 30.14%; traction (Tramways on the Island) for 5.91% and public lighting for 0.75%.

New Methods for higher Output in Cotton Industry

The problem of Britain's cotton industry is to produce more. Buyers are clamouring for its cotton in many parts of the world and the home market is still starved. The cutting of costs and the competitive struggle for markets are still largely matters of the future. Cotton production lags behind demand because spinning and weaving mills have not got enough workers. During the war cotton workers went to munition factories set up in the textile areas to absorb existing labour, transport, and industrial services. Cotton mills were largely shut down. At the end of war the munition factories turned to making engineering products and kept their workers. The cotton mills have been trying to attract fresh labour but progress is slow. Increased output in the short-run must come from greater individual effort. Ways of raising productivity have been devised and tested; in a number of mills they have been applied with spectacular success. But a great majority of cotton mills have so far held back.

At the end of the war most people in the cotton industry thought that the only way to raise productivity was to put more machinery into the mills. Some re-equipment has been done and a good deal is going on all the time. But Britain's textile machinery industry, though among the largest in the world, cannot re-equip the great cotton industry overnight, particularly when the machinery side has itself to export a large proportion of its output. Meanwhile it has been found that rapid progress in productivity can be achieved by modernising the flow of work through the mill rather than its equipment.

Labour utilization has become an important field for research and development. One of the greatest difficulties in applying schemes of redeployment is the suspicion of the workers against stop-watch tests. Past experience has shown that it is little use trying a re-organisation scheme on the workers without taking them into the managerial confidence at the start. The division of jobs in the cotton mill and the rates of pay attached to each task are hallowed by long tradition, and the most enlightened managements have been trying for the last two years to obtain the unions' agreement to new work plans under which the tasks would be more specialised and the ancillary work be done by small groups of helpers moving about the mill. Experiment has proved that this plan leads to a very large increase in output per worker, a rise in labour earnings, and a fall in labour costs.

There is now a new attitude among employers as well as among workers. Heads of cotton firms started re-organisation schemes by overhauling the management first. They made sure of knowing the answers before they put the questions to their workers. They discovered also that the success of any deployment scheme

depended greatly on the lower management, the mill manager, the supervisor and the foreman, who had to understand and accept the plan before it could be introduced. Training of supervisory staffs in the new methods of utilising labour has now become a recognised part of the plan. In the weaving section of the industry more progress has been made than in the spinning mills. Here the short-run advance has to be made by getting each weaver to agree to work more looms. Methods have been devised which would make this possible without extensive re-equipment and without increasing the strain on the workers.

* * * *

HONGKONG WHEAT FLOUR STOCKS

While the monthly average of stocks of wheat flour in Hongkong in 1947 amounted to 3,767 tons, the stocks in the months of June, July and August were respectively 6,953; 5,892; and 5,968 tons. The higher stock position reflects increased consumption as a result of better earning power of the population in 1948.

* * * *

HONGKONG SLAUGHTERHOUSES

A total of 591,267 animals (cattle, swine and sheep and goats) were slaughtered in Hongkong's public abattoirs during 1948. The monthly average in 1948 was 49,273 animals against a 1947 monthly average of 41,249. The increase last year amounted to 19.46% over 1947. In 1946 the number of slaughtered animals was 25,174 per average month; against 1946 the increase in 1948 amounted to 95.73%. In our issue of Jan. 5, page 14, figures of Hongkong slaughterhouses will be found. Slaughtered animals during 1948 were: 40,904 cattle, 545,434 swine, 4,929 sheep and goats.

* * * *

RICE PRODUCTION IN HONGKONG

The approx. area sown in Hongkong's New Territories is 39,000 acres of which 18,500 first crop, and 20,500 second crop, yielding in 1947, 32,320 tons of paddy and 22,624 tons of rice (70% paddy). In 1946 the production of rice and paddy amounted to 20,418 tons and 29,169 tons respectively. The area for the first crop of rice is 2,000 acres less than the area for second crop since 2,000 acres are paddy under dry or salt water cultivation carrying second crop only. Rice produced in Hongkong is much appreciated among Chinese in the U.S. and other overseas Chinese, and it is therefore more exported than consumed locally where first grade rice is amply available from neighbouring Kwangtung.

HONGKONG GAS CONSUMPTION

(in cubic feet)

	Monthly Average 1947	Monthly Average Jan.-June 1948	December 1948	Total 1948	Monthly Average 1948
Industrial & General	17,033,392	21,526,850	27,093,500	263,706,300	21,975,525
Public Lighting	1,328,567	1,758,350	2,431,300	23,762,200	1,980,183
Total . . .	18,361,959	23,285,200	29,524,800	287,468,500	23,955,703

The increase in gas consumption during 1948 over 1947 (monthly averages) amounts to 30.41%. The consumption of gas in December 1948 of 29½ million cubic feet was 60.79% higher than the 1947 monthly average.

COAL STOCKS OF HONGKONG

(in long tons)

	Monthly Average 1947	Monthly Average Jan.-June 1948	December 1948	Monthly Average 1948
Bituminous Lump	47,185	63,277	47,625	61,471
Bituminous Dust	10,515	13,496	18,473	14,178
Anthracite Dust	7,025	3,086	6,637	4,148
Gas*	—	7,857‡	4,740	5,788
Coke†	—	1,227	1,262	1,715

* Figures not available before March, 1948.

† October, 1947.

‡ "Monthly Average" March-June.

KOWLOON-CANTON RAILWAY (BRITISH SECTION) GOODS AND PASSENGER STATISTICS

	Monthly Average 1947	Total Jan.-June 1948	Monthly Average Jan.-June 1948	November 1948	Total Jan.-Nov. 1948
Passengers:	Nos.	Nos.	Nos.	Nos.	Nos.
Local					
Upward	39,281	286,172	47,695	70,230	558,506
Downward	32,139	272,218	45,370	60,935	539,088
Foreign					
Upward	84,841	659,397	109,899	90,816	1,191,636
Downward	73,545	576,267	96,044	95,137	1,060,424
Goods:	kgs.	kgs.	kgs.	kgs.	kgs.
Local					
Upward	86,840	444,905	74,151	87,730	799,730
Downward	281,832	955,440	159,240	84,980	1,527,595
Foreign					
Upward	10,295,666	24,152,620	4,025,437	3,528,170	54,107,910
Downward	351,000	14,223,000	2,370,500	435,850	30,400,180
* * * *					
Revenue:	H.K.\$	H.K.\$	H.K.\$	H.K.\$	H.K.\$
Passengers					
Local . . .	65,982.58	505,681.65	84,280.27	102,768.25	958,966.15
Foreign . .	328,458.98	2,475,435.74	412,572.62	365,875.48	4,515,133.68
Goods					
Local . . .	3,592.30	10,580.50	1,763.42	1,761.65	19,474.00
Foreign . .	64,250.97	162,134.65	27,022.44	15,171.74	292,235.48
Miscellaneous					
Receipts . . .	61,539.21	264,329.09	44,054.84	136,695.90	589,097.37

Hongkong Rice Consumption and Imports

During 1948 rice imports obtained by Government under international allocations totalled 109,972 tons, coming from Siam, Burma and Indochina which countries accounted for 52.83%, 32.97% and 14.2% respectively of official imports. Against the preceding two years' allocated rice imports the total receipts in 1948 represented an increase of 39.06% over 1946, and 35.28% over 1947.

The higher official imports last year were a result of easier supply position abroad and subsequent ampler allocation by the international control. Local residents and transients in the Colony consumed larger quantities of rice than in 1947 or 1946 but as to allocated rice, being not very much cheaper than rice on the open market and considered by many Chinese as of inferior quality compared with rice

from China, there had been a decrease in actual local consumption of Burmese, Siamese and Indochinese rice. Thus Government found itself overstocked in rice and could afford to loan substantial tonnages to foreign countries.

The estimated consumption of rice in Hongkong in 1948 was around 220,000 tons most of it having been Chinese rice purchased by the consumers on the open market. The allocated rice price is 45 cents per catty (0.6047 kg. or 1.1/3 lbs) while on the open market prices range from 50 to 75 cents per catty. On the wholesale market prices at times were below \$50 per picul (100 catties).

The stock position is heavy both in allocated and in open market rice; supply from China is regular and exceeds Hongkong's requirements.

RICE RECEIVED UNDER ALLOCATION FROM BANGKOK, RANGOON, SAIGON AND EGYPT, 1945-48 (In metric tons)

Period	Bangkok	Rangoon	Saigon	Egypt	Total
3rd Quarter, 1945	—	6,233.57	—	—	6,233.57
4th " "	14,803.93	—	—	837.73	15,641.66
	14,803.93	6,233.57	—	837.73	21,875.23
1st Quarter, 1946	22,540.25	2,284.82	—	—	24,825.07
2nd " "	12,282.04	—	—	—	12,282.04
3rd " "	13,219.59	2,339.66	—	—	15,559.25
4th " "	22,851.19	3,568.74	—	—	26,419.93
	70,893.07	8,193.22	—	—	79,086.29
1st Quarter, 1947	12,457.99	2,029.49	—	4,646.01	19,133.49
2nd " "	5,344.42	14,691.70	—	—	20,036.12
3rd " "	4,922.71	12,090.95	5,521.78	—	22,535.44
4th " "	12,131.13	4,112.31	3,347.92	—	19,591.36
	34,856.25	32,929.45	8,869.70	4,646.01	81,296.41
1st Quarter, 1948	35,060.38	16,433.28	4,101.54	—	55,595.20
2nd " "	12,397.83	13,345.56	—	—	25,743.39
3rd " "	4,036.28	3,264.27	6,170.28	—	13,470.83
4th " "	6,600.75	3,214.74	5,347.80	—	15,163.29
	58,095.24	36,257.85	15,619.62	—	109,972.71

HONGKONG POST OFFICE REVENUE

(in H.K.\$)

	Monthly Average 1947	December 1948	Total Jan.-Dec. 1948	Monthly Average 1948
Stamps	535,529.72	906,258.00	8,150,220.00	679,185.00
Stationery	885.71	29,035.00	227,070.40	18,922.53
Postage due Labels	956.26	1,904.29	16,476.26	1,373.02
Receipts Stamps (Collected on behalf of Inland Revenue Department)	87,574.43	119,400.00	1,273,224.00	106,102.00
Total	624,946.12	1,056,597.29	9,666,990.66	805,582.55

Index on Basis Average Monthly Receipts 1935-1939 (\$177,326.32=100) .. 352.43 595.84 — 454.20

HONGKONG TRADE WITH KOREA AND MANCHURIA

North Korean trade is slowly expanding with more charter ships on the run. Local traders are intrigued by the alleged profits made during recent months when cargo bartered in North Korean ports against raw material imports was sold here netting over 100% profit. Merchants have not always been able to secure charter trips and terms of shipowners have stiffened of late.

North Korean import requirements are as follows:—Radio sets of small to medium sizes; telecommunications equipment; rolling stock and locomotives; lorry and motor car spare parts; spare parts for tramway cars; weaving looms; chemicals and dyestuffs for the textile industry; diesel oil, gasoline, lubricant oil; gunny bags, new and used; Manila rope; Rubber, raw and used; Foreign medicines; Salt; Raw Cotton; glass. Besides, a long range of consumer goods is in strong demand.

Goods to be bartered for imports comprise mostly minerals and ores, soya beans and bean products, bristles, vermicelli, fertiliser (ammonium sulphate).

The change in the situation in North China, caused by the complete control now wielded by the Communist authorities in Tientsin and Peiping, has further encouraged the resumption of trade with Manchuria which was previously inaccessible with a trickle of foreign trade conducted via North Korea or across the battle lines by means of smuggling and bribery. The ports of Manchuria and North China (Antung, Newchwang, Chinwangtao, Tientsin, Lungkow, Chefoo, Weihaiwei—and possibly Dairen) are now virtually open to foreign trade and the only danger appears to be the Kuomintang controlled Chinese Navy who might intercept ships when trying to resume commerce with Communist held China. There is no official interdiction on trade with Manchuria and North China as far as other governments are concerned although commercial relations with this area might be frowned upon in Washington.

Local and Singapore Chinese merchants have made considerable preparations for large-scale resumption of trade with Manchuria where great need for imports of raw materials for the industry is particularly emphasised. During the period of initial trading unusual profits will be reaped by "pioneers". The risks involved in barter trade and created by the non-existence of ocean communications are however readily taken by many venturesome and resourceful merchants. It seems that the immediate problem confronting the many prospective traders with Manchuria, North China and North Korea is the scarcity of tonnage. What ships there are available for charter voyages are not adequate for the purpose of larger trading, and rates have gone up considerably as a result of demands made by the crew who realise that great profits may be derived by merchants

and therefore they want to have special benefits. An ambitious local syndicate of Chinese merchants is in the market for one or more freighters hoping to earn sufficient profits from trade with the North to justify the purchase of ships.

* * * *

HONGKONG EXPORTS TO U.S.A.

Exports from Hongkong to the United States as declared at the U.S. Consulate during the first 9 months of 1948 included the following miscellaneous items: (Values in US\$):— Mother-of-pearl shells, 139,060 pounds valued at \$24,803; mother-of-pearl ware, 43 pounds at \$814; buttons, 2 pounds at \$20; combs, 10 pounds at \$36; brushes, 860 pounds at \$892; hair pencils, 3,780 pounds at \$9,540; beads, 26 pounds at \$252; joss sticks, 49,826 pounds at \$11,148; and ivory ware, 1,016 pounds at \$15,000.

Wooden chopping boards, 31,808 pounds valued at \$2,261; bamboo ware, 2,179,191 pounds at \$302,411; rattan ware, 1,445,634 pounds at \$562,053; wooden ware, 132,779 pounds at \$69,440.

Glassware 4,760 pounds valued at \$1,328; chinaware, 160,111 pounds, \$104,153; porcelain, 73,226 pounds, \$42,771; and earthenware 349,163, \$157,354.

Cutlery 9,498 pounds at \$11,101; 64,616 pounds of sewing needles, \$87,142; 4,828 pounds of pewter ware, \$2,403; 108 pounds of silverware, \$1,837; and 5,479 pounds of wrist-watch straps at \$22,230.

Firecrackers 3,821,559 pounds at \$1,400,251, Chinese musical instruments 453 pounds at \$687; phonograph records, 1,411 pounds at \$1,264; dolls, 1,358 pounds at \$1,976; toys, 1,037 pounds at \$989; figurines, 1,402 pounds at \$1,790; mah-jongg sets, 245 pounds at \$393.

Chinese paintings, 2 pounds, at \$14, and other art works, 1,218 pounds at \$7,923; Chinese almanacs, 1,219 pounds at \$674, and paper pictures, 437 pounds at \$863.

49,115 pounds of flashlight bulbs valued at \$76,213; 5 pounds of flashlight torches at \$5; 342 pounds of condensers at \$798.

Exports of precious and semiprecious stones and imitations and industrial diamonds comprised the following: Diamonds, 814 carats valued at \$223,815; pearls, 190 pounds at \$43,451; sapphires, 14,912 carats at \$16,767; cameos, 732 pounds at \$64,934; jades, 159 pounds, at \$22,001; and zicons, 31,506 pounds at \$19,592.

HONGKONG IMPORTS & EXPORTS OF GROUNDNUTS & GROUNDNUT OIL

Groundnut Kernels

	1938	1947	1948
Total Imports	872,201	72,006	47,524
" Exports	618,952	13,441	131,303
Principal Sources:			
Malaya	5,841	3,794	2,979
North China	850,552	24,034	8,415
South China	—	5,917	—
Macao	—	9,697	22,267
Indonesia	14,250	180	—
Siam	—	27,882	12,918
Korea	—	—	864
Principal Destinations:			
Malaya	15,357	137	70
British Empire,			
Other	28	1,123	168
South China	511,746	—	—
Italy	—	10,164	2,406
Japan	—	—	125,582
Macao	83,612	1,517	397
Philippines	2,577	267	814
Siam	2,903	—	—
Switzerland	—	—	1,680

Groundnut (in Shell)

	1938	1947	1948
Total Imports	30,255	10,386	206,282
" Exports	67,568	984	34,450
Principal Sources:			
Malaya	721	3,280	6,833
North China	19,508	479	242
Middle China	3,451	123	—
South China	737	237	—
Indonesia	5,640	—	—
Macao	—	723	130,959
Siam	—	5,544	67,018
Philippines	—	—	58
India	—	—	1,166
Principal Destinations:			
C. America	2,649	13	—
South China	56,267	—	—
Japan	—	20	31,815
Macao	5,147	919	865
Philippines	28	15	1,707

Groundnut Oil

	1938	1947	1948
Total Imports	287,464	32,566	50,866
" Exports	167,941	25,152	13,391
Principal Sources:			
India	—	3,780	4,962
Malaya	1,070	135	3,440
North China	198,189	2,321	—
Middle China	554	6,590	1,002
South China	44,381	734	—
Macao	743	8,962	25,687
Indonesia	42,261	—	—
Siam	—	9,993	7,565
Korea	—	—	8,210
Principal Destinations:			
Brit. Borneo	3,442	19	—
Canada	3,104	67	—
Malaya	57,357	690	1,188
South Africa	2	5,115	—
British Empire,			
Other	1,227	208	—
Belgium	—	900	10,523
South China	37,051	—	—
Macao	36,909	268	—
Netherlands	—	17,230	—
Indonesia	3,635	1	—
Philippines	3,011	246	—
Siam	10,675	—	—
U.S.A.	9,134	251	—
Holland	—	—	1,680

Hongkong Market Reports

February 2 to 4

Piece Goods

In spite of the Chinese New Year holidays still being observed by various concerns, the market opened active, with good prices ruling, as a result in part of lack of shipments from Canton. South Africa, Siam and Singapore were in the market for white cloth. The demand for worsted, coloured woven, etc., lessened with somewhat warmer weather. Flowered prints, white and black poplin, purple cloth, red cloth, etc., had good sales. Grey sheetings, white cloth, coloured woven, etc., were offered at an increase of 5 per cent.

White cloth, Tsin Leung Yuk, sold at \$50.50 per piece. Flowered prints fetched \$46 per piece, those of French origin 31" selling for \$1.90 per yard and 28" for \$1.60 a yard.

Yarn

By the end of January, cotton from India was in short supply, cotton from Burma being substituted for it. This cotton is somewhat inferior, in colour to the Indian product. It is dark brown and shorter in length than the 4F Indian cotton, but serves for the manufacture of 10 to 16 counts. The six cotton spinning mills of Hongkong are now obliged to utilize it in consequence of the shortage of Indian cotton, though last year they rejected it. Importers are placing orders for supplies with Burma, which has sent up the market price to \$1.46 per lb. Indian cotton at present costs too much to be useful to the local mills; Pakistan 4F quality (800 lbs. to 2 bales) worked out at \$1.65 per lb.

Metals

A general view of the metals market for 1948 shows that the first six months of the year were active for local products, but that the market was less profitable for the second half. The falling market for the last six months of the year was reported to be due to: a) the strict enforcement of the prohibition of exports of metals for constructional purposes; b) limitations on imports into China; c) a drop in price of Belgian and French products.

Local merchants often complain that the Dept. of Supplies, Trade & Industry (in charge of control of so-called prohibited exports) does not regularly permit the re-export of iron and steel products. As long as the local stock position of the construction industry is not satisfactory export licences cannot be issued; this is realised, although not always appreciated, by importers whose main interest is to re-export constructional steel and steel products if better profits can be obtained abroad than locally.

The booming building industry of Hongkong requires large quantities of steel but as world shortages continue the purchase of steel proves difficult even if payment is made in US\$. In the local free market TT New York is amply on offer and thus importers can obtain—from the US, Belgium and

other supplying countries—more steel than the local building industry needs. Provided that a surplus exists here and steel stocks are on hand for several months ahead, export licences are granted. Metal merchants have enjoyed a very prosperous year and profits have been in excess of pre-war margins by 100 to 400%.

Local production of steel now reaches 2000 tons a month. Metal imports for 1948 amounted to \$61 million, as against \$11 million for 1947. Exports were \$35.8 million. Imports were principally from Belgium \$14.8 million, U.S.A. \$13 million, Great Britain \$12.9 million, France \$2 million. Exports went mainly to South China \$6.7 million, North China \$4 million, Macao \$2.7 million, Siam \$2.4 million, and Central China \$1.5 million.

Following the New Year holidays, the market opened with offers at higher prices than buyers were prepared to accept.

Mild steel round bars, Belgian 1½" to 1" were offered at £36 a ton, c.i.f. Hongkong; French bars, 1", were quoted at £37 c.i.f. Hongkong April/May shipment; but no interest was shown.

Zinc sheets, G.5 were offered at \$150 per picul nominal, falling to \$143; G.6 at \$146.

Wire nails, 1" to 3" were quoted at \$70.00.

Cement

Following boom conditions in the past, the cement market is now reacting with falling prices, as a consequence of large arrivals from Japan and Indo-china. Japanese cement fell heavily to \$5.60 per 100 lbs., and \$5.50 ex go-down. Forward delivery was booked at \$106 per ton. Red and black dragon brand was offered at the nominal price of \$5.60 per 94 lb. packing. Danish product was offered at \$16.50; forward delivery being booked at \$13.50. American Red Cross brand fell to \$18, drum packing 400 lbs. at \$65. Exports were for Indonesia, Manila, etc.

China Produce

Tungoil prices were affected by the large shipments of this commodity made from Shanghai to U.S.A. of around 3,000 tons. Sales were made at \$124 per picul. Standard Tungoil was later offered at \$128. Stocks were low. Rapeseed oil, with export permit, was offered at \$135, without permit at \$127. Stocks were also low in this commodity. Teased oil had sales at \$155, but later fell, though it was anticipated that higher prices would soon be ruling. Gailnuts were in demand by Japan buyers, obtaining a price of \$83. Aniseed Star sold at \$42 per picul for transhipment to North China.

Glass

Orders for about 5,000 cases of window glass have been placed with Japan by local buyers. Although such glass is somewhat inferior to that from other markets, it gains on the score of cheapness, the official price for 100 sq. ft., 6 oz. to 6½ oz., being \$21, and 200 sq. ft. being \$42. The retail price of 100 sq. ft. is \$35.

HONGKONG STOCK & SHARE MARKET

In spite of the commencement of good dividend announcements and the disclosure of higher earnings by public companies in 1948 compared to 1947 the market remains calm and rates show no improvement. Brokers at the Exchange usually interpret a larger number of buyers as heralding a change in the sentiment but invariably an adequate number of sellers appears which offsets what good effect the new buying interest might have had. The excellent working results of two companies which last week announced their forthcoming annual meetings, viz. Watsons and Cements left the market unimpressed.

Thus it may now be taken for granted that a recovery in quotations for some time to come is improbable. Political conditions are at the bottom of the shareholders' and potential investors' distrust in the stability of the local market; concern has been growing more audible since the collapse of the Chiang Kai-shek government and the assumption of authority by the Communists in ever larger areas of China proper. Last week's debate in the House of Lords about the future of Hongkong must have left many local residents wondering how serious the situation appears to London where alarming reports were circulated which required official rebuttal. The atmosphere for a Stock Exchange rally is, under such circumstances, most unfavourable.

It is, of course, nothing but blackest pessimism to talk today of possible dangers to Hongkong while the new Communist government is in Peiping only and has, prior to tackling any foreign problems, to unify the country, a job requiring several years' military and political efforts. While most

Belgian 18 oz. 200 sq. ft. window glass was offered at \$52, and 44 oz. (7 x 32) was indented at \$7.50 per sq. foot. This price was too high for buyers, although stocks were low.

Paper

Paper is one of the most important commodities traded on the Hongkong market. During 1948 imports amounted to \$110 million, re-exports being around \$70 million. January to June of last year can be described as a profitable period, from July to December the market was falling. In January 1948, the price of newsprint (ream) was \$27, rising to \$35 in February and remaining between \$30 to \$35 until the middle of June. From then on the price fell, until by November it had reached \$21. Central China was formerly the chief market for paper, but it was badly affected by the chaotic situation existing.

Following the New Year holidays this year, the market opened firmer, with demands from Canton, Macao, and Korea. M.G. Ribbed Kraft sold at \$28.50, an increase of \$1. Brown M.G. Ribbed Kraft also rose by about 50 cents per ream, being sold in rolls at 62 cents per lb. British cellulose remained steady. 31" Newsprint (roll) sold at 41 cents per lb.

observers agree that there is no sign of a "danger" to Hongkong, many very timid investors visualise Communist inspired unrest in the Colony—probably of a similar type as is being met these days in Malaya. However, there is not the slightest indication for any campaign of this sort, which, if waged by some desperadoes, would be finished even before it started; Hongkong cannot be compared to a large country like Malaya with its vast jungles, but the calm and secure conditions in Singapore may be better taken as a guide for possible effects on Hongkong in case of any civic disturbance being ever attempted here. It is clearly in the interest of China and Hongkong that no "incidents" be allowed to happen and that cooperation be fostered. There is every likelihood for good relations between the emerging new regime of China and Hongkong.

The accumulated idle funds in the Colony are growing. Not only are the savings and profits of the resident population piling up but there are also regular arrivals of flight capital, in many forms, swelling the liquid assets of Hongkong. The share market represents one of the most logical and remunerative absorption of capital while other channels for investment are largely if not entirely clogged. The choice for idle capital in Hongkong is either to forego interest earnings (except some 2% p.a. by opening fixed deposits) or to invest abroad. The latter course has been taken by some who have bought securities in London, New York, Sydney, Montreal and elsewhere in the Commonwealth. But lower quotations in especially the American securities market will bring back the same investors—"Hongkong flight capitalists." Return of confidence in the unquestioned stability of Hongkong is, however, the prerequisite for a sustained rally. Meanwhile, shareholders must be satisfied with good yields, keeping to their possessions irrespective of the trend and of the doldrums through which we sail these days.

Volume of Business: Total sales reported amounted to 97,822 shares of an approximate value of \$2½ millions, an increase of \$¾ million compared with the preceding week.

Price Index: The Felix Ellis averages based on the closing prices of twelve active representative local stocks stood at 138.37 at the close for a net gain of .14 compared with the close of the previous week. Day-by-day his averages were: Feb. 1, 138.25; Feb. 2, 138.03; Feb. 3, 138.29; Feb. 4, 138.37.

	High	Low
1947	155.82	123.88
1948	148.68	134.05
1949	138.37	136.58

Dividends:

The Directors of A. S. Watson & Co. have recommended a dividend of \$4 and bonus of \$3 less tax (\$6.30 net) on the old shares, and half that dividend and bonus on the new shares. The total net

EXCHANGE & FINANCIAL MARKETS

MAO TSE-TUNG ANTE PORTAS

The heart of China, Nanking and Shanghai, is about to fall to the armies under Chu Teh's supreme command. The "National Government," now only a regional administration split among itself, has withdrawn to Canton, the new makeshift capital, while Taiwan, erstwhile Japan's unsinkable aircraft carrier, is being geared up as the military base—not so much for a return of Chiang to power but to harass the "reds" who have no navy nor airforce.

Some "peace with honour" hopes are still held out by a cackling and undismayed group around Li Tsung-jen whose hallucinations continue. But the Red Army is knocking at Nanking's doors and dithyrambic CP spokesmen periodically elongate the "civil war criminal" list.

Shanghai knows that there will be not much of a defence show put up by the Kuomintang army under Tang En- po but the depredations of a demoralized soldateska and mob violence with looting are dreaded. A solution a la Peiping is ardently desired even by the soldiers who appear hors de combat before the "reds" have even crossed the Yangtze. Meanwhile, the CP fifth column in Shanghai is ready to welcome the liberators, if necessary to expedite their arrival. The opportunists have already prepared festoons, pylons and myriads of red flags for the historic event.

distribution for 1948 will therefore amount to \$1,208,969 compared with \$810,000 for the preceding year.

The Directors of the Green Island Cement Co. Ltd. have recommended a final dividend of \$2 per share and a capital bonus of \$1 per share both free of tax.

Business Done:

Banks: H.K. Banks at 1830, 1825, 1830.

Insurances: Unions at 730, 750, 740, 737½; China Underwriters at 5.30, 5.10; H.K. Fire at 270.

Docks & Godowns: H.K. & K. Wharves Old at 142; H.K. Docks at 29, China Providents at 19, 19.20; S'hai Docks at 11.

Hotels & Lands: H.K. Hotels at 15.60, 15.70, 15.80, 15.90, 15.80, 15.90, 16, 15.90; Lands at 67½, 67½, 67½, 68; S'hai Lands at 3½, 3.40, 3.30; Humphreys at 15.

Utilities: H.K. Trams at 21.30, 21, 21.20, 21.30, 21.40, 21½; Star Ferries at 136, 137½; Lights Old at 15.10, 15.20, 15.30, 15.40, 15.70, 15.80, 15.70 and New at 11½, 11.70, 11.80; H.K. Electrics at 39½, 40, 40.15, 40½, 41; Macao Electrics at 27; Telephones at 35.

Industrials: Cements at 41, 40%, 41, 40½, 41, 41.20, 41½, 41½; H.K. Ropes at 21½, 21½, 21.20, 21.80, 22; Dairy Farm Old at 44½, 44½, 44 and New at 43; Watsons Old at 62, 62½, 63, 62½, 63½, 63 and New at 59, 58%, 58½, 59½.

Stores, &c.: Sinceres at 7.

Cottons: Ewos at 8½, 8¾.

Rubbers, etc. Companies: Anglo-Java at 1; Rubber Trusts at 1½.

DEMAND & SUPPLY OF FREE MARKET STERLING

Recent announcements in the Press, both here and abroad, regarding the improvement in the value of sterling in the Free Markets of the world have led many people to suppose that the possibility of sterling returning to its old place as a freely convertible currency may be round the corner. It would however be unwise for this impression to gain ground as it is clear from recent Government pronouncements that even on the most optimistic calculations the sterling area at the end of Marshall Aid will still have a large deficit with the Western Hemisphere.

The so called Free Markets in sterling are mainly of two types:—1) The markets in pound notes in New York and elsewhere. 2) The market in sterling against U.S. dollars by sale and purchase of Telegraphic Transfers.

The first of the above are very narrow markets which depend on the supply of actual notes and the demand which is seasonal. Since 1947 the authorities in the United Kingdom have restricted the export of sterling notes by travellers to £5 per head and have at the same time intensified the preventative measures to ensure that this limit is adhered to. These efforts must have reduced the supply of notes abroad which may now be insufficient for the demand.

In regard to the second type of market, the British Government have been able in the past eighteen months to make arrangements with various Governments which have to a great extent limited the free markets as they affect sterling and, by stricter control on transfers from one foreign account to another, have restricted the supply of sterling of the types which are acceptable to the would be purchaser. This and other measures taken by the Bank of England have reduced the amount of sterling available which as a result has appreciated in value.

It will be seen therefore that the improvement in sterling is more technical than fundamental and there is a long way to go before we are likely to reach the goal of convertibility.

Present Extent of Sterling Area

Effective November 10, 1948, in accordance with exchange-control orders issued by the British Treasury, the Faroe Islands (Danish territory) are no longer included in the Sterling Area (the scheduled territories). They now are a part of the Danish monetary area comprising Denmark and Greenland, as well as the Faroe Islands. The Danish monetary area is included in the Bilateral Account Group of countries in the British system of exchange control. Sterling in a Faroe Islands Bilateral Account may be transferred to other Bilateral Accounts of residents of the Danish monetary area or may be used for payments to residents in the Sterling Area. The use of the sterling in these

accounts for any other type of transaction is subject to the permission of the British exchange-control authorities, each case being decided on its own merits.

The Sterling Area (the scheduled territories) now consists of the United Kingdom, the British Commonwealth (except Canada and Newfoundland), British Mandated Territories, British Protectorates and Protected States, Burma, Iraq, and Iceland.

* * * * *

HONGKONG CLEARING HOUSE

The total amount passed through Hongkong Bankers' Clearing-house in January was \$ 822,578,268. This all-time record amount, an increase of 4.13% over the highest previous clearing total (December 1948), was largely due to the seasonal upswing in payments (prior to Chinese New Year which fell on Jan. 29) and further increase in the Colony's trade. The arrival here of redirected cargo originally destined for China ports with subsequent partial disposal, and heavier exports from China, both of foreign and domestic commodities, representing to a large extent a new version of flight capital, are expected to result in record trade returns of Hongkong for January. The high level of industrial activity has been maintained and real estate transactions, although at reduced prices compared to autumn of 1948, have increased in January.

Comparisons of clearing-house figures:

	H.K\$	Increase in millions Jan. 1948
January 1947 ..	442	86.10%
January 1948 ..	690.8	16.66%
December 1948 ..	789.9	4.13%
monthly average		
year 1948 ..	688.9	19.40%

* * * * *

GOLD MARKET

Increased demand in China, delayed arrivals of new imports in Macao and lower stocks here caused a bullish sentiment. During recent weeks about 20,000 to 30,000 taels were weekly shipped from here to China while direct re-exports from Macao were in excess of local figures. Trading stocks here are now about 100,000 taels but several imports (into Macao) are on the way and will be unloaded shortly; these new imports comprise around 100,000 ozs. Further contracts have been made last week in the anticipation of continued demand in China. Most orders were contracted at US\$47.75 to 48½ per oz, cif Saigon, including the Macao import duty and the usual squeeze.

Highest & lowest local prices per tael \$320—312½ with cross rates between US\$50½ to 50.75. Canton and South China markets quoted some 3% higher while Shanghai's average cross was 57.

The sale of "ready made gold import permits" has been brisk during the last few weeks. They are controlled by two native banks, one in Macao (with virtual monopoly), the other in Hongkong (principal distributor). The two banks (Tai Fong, Macao, and Hang Seng, Hongkong) are associated firms. Pre-condition for the outstanding financial success of these two banking firms was their close connection with the Macao authorities. With considerable capital at their disposal and the intimate knowledge of imports (what permits there are go practically all through their hands) the native bank in Hongkong can risk with impunity to buy or sell according to the prevailing trend. Its profit making chances are however curtailed by the large following which Hang Seng has; whatever this bank does (which cannot be concealed) there are many speculators who, knowing the inside connections of these two banks and their privileged status as operators, proceed according to the Hang Seng strategy.

Besides the Macao import business, carried on directly or indirectly (buying from permit holders their bullion upon arrival in Macao, after these importers have paid the usual tribute to the native bank and its licence peddlers), Tai Fong—being a cambista as well as an ourives—treat gold in their refinery in Macao. The plant is well equipped for treating bullion; 22 carat sheets and bangles were last year melted in large quantities and cast into the customary bars of 1 to 10 taels and/or ozs weight, of .99 to 95 fineness, and big ingots arriving these days are being cut into small sizes and their fineness is slightly reduced to meet market requirements of China.

Trading Reports for the Week:—

Monday, Jan. 31:—Bank holiday. No business transacted unofficially.

Tuesday, Feb. 1:—Holiday in the Exchange. Some unofficial business transacted at 319.

Wednesday, Feb. 2:—Opening & closing rates \$320—313%. On the fictitious forward market there was no change over interest. The opening rate 320 was the highest of the week under review. With reported arrivals of gold shipments in Macao and further contracts from abroad obtained, importers heavily sold.

Thursday, Feb. 3:—Opening & closing 313½—318. Change over favoured buyers at the interest rate of 3 H.K. cents per tael per day. Lowest of the week 312 touched, but as cash bar requirements for exports greatly increased, market turned steady on actual demand.

Friday, Feb. 4:—Opening & closing 318½—316. No change over interest. Continuous profit taking sales by the biggest speculator and importer, though well supported by exporters, market turned easier.

Saturday, Feb. 5:—Opening & closing 315¾—314½. Change over favoured buyers at 6 cents. Demand for cash bars for exports continued. The news of U.S.S.R. sale of 50 tons in Switzerland, and South Africa planning to sell their production in the world free markets, induced the speculators to take bearish positions ignoring the unfavourable

interest rate. In the unofficial afternoon market, some business done at 314.

Trading Position:—

Total cash bars turned over during the week under review, officially 11,860 taels and unofficially 26,300 taels. All these deliveries were to meet the demand of exporters and local ornamental requirements.

Imports during the week from Macao amounted to about 8,000 taels. Exports totalled about 29,500 taels, with particulars as follows:—Canton 12,500 taels, Shanghai 10,500 taels, Amoy 800 taels, Swatow 1,200 taels, Bangkok 2,000 taels, Singapore 1,300 taels, Haiphong and Saigon 600 taels each.

US\$ MARKET

Transactions increased mostly on account of demand from gold importers. Outside sellers of TT New York, mainly Bangkok, exerted a restraining influence on the rate which did not keep pace with the high gold price. The local gold cross went as high as 50.75.

Highest and lowest prices last week, per US\$100:—notes 516½—512½; DD 517½—512½; TT 519½—515½, corresponding to crosses of 3.08—3.10.

Shanghai quoted unofficial sterling at 3 to 3.05, Bangkok, around 3.10, New York 3 to 3.08 (bound notes 2.98—3.03), Zurich and Milan above 3. Foreign account sterling remained unchanged with strongest demand for Belgian account which quoted around 3.60.

CHINESE CURRENCY MARKET

Hongkong unofficial quotations—per one thousand "gold" yuan — were last week as follows:—spot notes HK\$16—6.62; TT Shanghai \$7—3.30; TT Canton \$6.30—4.10.

Shanghai black market rates of last week, highest & lowest in yuan:—gold per oz 77,000—44,000; US notes 1,300—772; HK notes 245—147. Gold crosses from 55—60; HK cross at US\$18.80 (sterling at 3 unofficially). Exchange Clearance Certificates from 260 yuan before Chinese New Year per US\$1, dropped last week to 400 and then to 700 yuan, remaining 45/48% below the black market level.

Canton rates on the open market (in yuan): HK notes 143—225; TT Hongkong 159—245. US notes at a discount compared to open market rates of Hongkong.

Taiwan exchange rates for yuan dropped to 53 Taiwan yen per one "gold" yuan, officially, and 45 unofficially.

Tientsin and Peiping outlawed the "gold" yuan, now termed there the "puppet yuan," as from February 22, until which time the public may convert this money into People's Bank of China legal tender—the Renmin Piao (note) or yuan (dollar)—at a rate to be announced daily. Last week the People's Bank allowed conversions at the rate of one to ten "puppet yuan" of the Central Bank of China which bank is being liquidated in North China. The open market only gave one People's Bank yuan for 13 to 15 Central Bank yuan and the prospects are that this rate will drop to 20 and over.

It cannot be expected that the inhabitants in North China's cities repose much faith in the stability of the new paper money although the more efficient and honest management of public affairs by the Communist authorities is not questioned. However, the war continues and there is no other means to finance extraordinary expenditure than by printing more paper money, i.e. inflating the currency. Compared to Nanking, the progress of inflation in North China is slow and losses suffered by the people on account of the printing press financing of the war are not excessive. As long as there is no settlement of the conflict in China, and even then for a long period to come, there will continue monetary inflation and the public distrust in paper money will remain strong.

The finances of the Kuomintang Government are in a chaotic condition; no budget even for 30 days is being established and the printing of "gold" yuan is the only recourse of the Government to meet its own bills. The exchange value of the yuan crashed last week but aroused no surprise; in fact, people wonder how it is possible that the yuan still has some value in terms of gold and foreign exchange. The Central Bank of China is in a state of complete disorganisation and has lost control of the financial situation.

Inside Kuomintang China the process of disintegration was speeded up last week. Nobody knows what amount of yuan has been issued, some guesses put the present circulation at over 50 to 70 billion, excluding the billions of Nanking scrip left in North China and now to be used there as "waste paper."

Hongkong presses (Chung Wha Book Co.) are turning out billions of new yuan, the biggest denomination being 500 yuan. At the beginning of the current week 100 yuan—at present the highest denomination in circulation—only valued between HK\$0.35 to 0.50. Local exchange shops are reluctant to keep any notes of the Central Bank of China; although they make due allowance for the hourly depreciation of the yuan, by quoting buying and selling rates at a widening margin, many native banks have been losing last week when they could not quickly sell what they had taken in only a few hours earlier. Last week's stock of yuan notes in Hongkong was estimated at an equivalent of HK\$10 million.

As a significant sidelight on the misguided cooperation by Hongkong Government with the Central Bank of China, the fact should be recalled that it is still prohibited here to import or export an excess amount of yuan 20—which values today just 10 H.K. cents. Such regulations as the one controlling the import and export of "gold" yuan brings the law only into disrepute.

The unhindered operation of bullion and foreign exchange markets in Shanghai was reported last week as impending; if it materialises there will be little change in the financial situation.

In Kwangtung, Fukien, Honan and Kiangsi steps have been taken to introduce new currencies independent of the yuan of the Central Bank.

SILVER MARKET

Overseas markets continued unchanged; London at 42½ d. per oz. (.999 fine) for cash and 2 months delivery (but curb market rates in excess of the above prices); New York at 70 cts. Local rates for silver bullion unchanged at \$3.84/3.86 with little business done and only a trickle of imports reported. Silver coins were quoted at \$1.87 per 5 twenty cents pieces and \$2.48/2.51 per dollar coin. However, Chinese silver dollars, especially those minted in the 3rd year of the Chinese Republic showing Yuan Shih-kai, went up to \$5 with supply very irregular.

The reason for the excessive price of the Chinese dollar coins, out of proportion to the silver contents, is to be found in the Communist authorities' permission to have dollar coins circulate in the areas under their control while proscribing the trading and use of foreign currency notes. As Shanghai expects similar treatment as Tientsin and Peiping once the "reds" take over, there has been considerable hoarding of silver dollars; besides, the failure of the present authorities in Shanghai to suppress trading in silver coins has encouraged more business to be done rather openly, and the alarming degree of the yuan depreciation has elevated the silver dollar to an accepted medium of payment even in urban areas.

Between Shanghai and North China there is increasing trade going on with silver dollars playing their part. Demand for coins exceeds supply which has further advanced the price. Last week in Shanghai silver dollars with Yuan Shih-kai (called "Tao Tao" or big head) sold at HK\$6, or US\$1.10 to 1.15; and those showing Sun Yat-sen ("Sai Tao" or small head), sold at HK\$5.

There are several other silver dollars traded in China; the Mexican dollar ("Eagle") coin and the American trade dollar being next to the above mentioned ones very popular. The coin showing on the obverse a reproduction of a bust of Dr. Sun and on the reverse a junk at sea is generally less popular than the Yuan Shih-kai dollar.

Composition of dollar coins:—

coin	gross weight	fineness	fine silver
Mexican	417.8 grains	0.902	377.14 grains
US trade	420	0.9	378
Saigon	416.66	0.9	375
Dragon	416	0.9	374.4
Yuan Shih-kai	415	0.89	369.35

The Sun Yat-sen dollar coin is of the same weight and fineness as the Yuan Shih-kai coin. These two coins are of 880/1000 fineness, gross weight being 26.6971 grammes, and silver content 23.4934 grammes. The fine silver content equals Shanghai taels 0.6993205, and with its minting charges amounting to 2½%, the coin is equivalent to 0.715 taels.

The fine silver value of the Chinese dollar coins (Yuan or Sun) is at present, when New York pays 70 cts. per oz, only US\$0.5386. On account of the conditions now prevailing in North China the public pays a premium of over 100% when buying silver coins.

BANK NOTE RATES

Highest & lowest rates last week (per 100, in HK\$):—Baht 24.50—24.30; Nica guilder 32—31.80; Piastre 8.60—8.10; Peso 249½—247½.

PAKISTAN FINANCIAL REPORT

On July 22, 1948, Sir Stafford Cripps, Chancellor of the Exchequer, announced in the House of Commons the terms of the United Kingdom's Financial Agreement with Pakistan. In scope it was similar to the sterling-balances agreement with India, covering the release of accumulated sterling balances, the allocation of hard currencies, the liability for pensions payable in sterling, and the value of assets taken over by the Dominion Governments. The agreement with Pakistan became effective on July 1, 1948, and will remain in effect for 1 year.

In accordance with the provisions of the agreement, the Government of the United Kingdom transferred £5,000,000 to the free No. 1 Account of the State Bank of Pakistan and will transfer further sums, not exceeding £5,000,000 for external expenditures on special requirements for the resettlement and rehabilitation of refugees. Any unspent portion of the special release will, if necessary, be available up to June 30, 1951. The agreement further provides that of the balance in the No. 1 Account on June 30, 1948, the sum of £2,000,000 will be regarded as an addition to the present working balance, increasing that balance to £12,000,000.

Pakistan has agreed to limit hard-currency expenditures, over and above earnings, to £5,000,000. This figure represents a contraction of the limit agreed upon for the previous period. In addition, the agreement calls for dollar convertibility up to £750,000 of any surplus earnings with Japan.

Further negotiation will take place before June 30, 1949, with regard to the total releases of sterling to the No. 1 Account for the succeeding period or periods. However, in order to enable Pakistan to plan in advance, the United Kingdom agreed that further releases of at least £5,000,000 will be made in each of the two succeeding years.

The United Kingdom is assisting the new Dominion, in view of Pakistan's need to develop its economy as an independent state. Toward this end, the United Kingdom has helped Pakistan obtain certain essential commodities which Pakistan is anxious to procure insofar as possible from

HONGKONG UNOFFICIAL EXCHANGE RATES

(In H.K. dollars)

February	Gold		Per		One	Chinese		Yuan		U.S. Dollar			
	per tael	per tael	Notes	High	Low	T.T.	Shanghai	T.T.	Canton	Note	Draft	T.T.	New York
2	320	313½	3.84	16.00	6.75	7.00	5.10	6.00	5.00	5.16	5.16	5.18½	5.15½
3	318½	312½	3.88	8.25	6.62	5.30	4.25	6.30	5.60	5.15	5.17	5.19½	5.16
4	318½	314½	3.84	7.37	6.75	4.35	3.50	5.80	5.20	5.16	5.17	5.19½	5.18
5	315½	313½	3.84	9.50	7.25	3.90	3.30	5.00	4.10	5.14	5.15	5.18½	5.17½

within the sterling area or from soft-currency countries.

State Bank of Pakistan

On July 1, 1948, the State Bank of Pakistan was established to manage the new Dominion's paper currency and foreign exchange and to act as banker to the Central and Provincial Governments. On that same day, the assets of the Banking and Issue Departments of the Reserve Bank of India were divided between Pakistan and India. While the transfer of the assets of the Banking Department has been completed, the transfer of the assets of the Issue Department will not be completed until June 30, 1949, when the right of exchanging Indian

notes in Pakistan will expire.

In the division, the State Bank of Pakistan received 1,344,000,000 rupees in sterling balances which was 8.7 per cent of the 15,366,000,000 rupees of sterling balances held by the Reserve Bank of India. In addition, it received 17,000,000 rupees or 3.8 per cent of the Bank's gold coin and bullion, 16,000,000 rupees or 3.8 per cent of the Bank's rupee coin and 136,000,000 rupees or 10.7 per cent of the Bank's holdings of rupee securities.

The principle employed in the division of the assets of the Issue Department was that Pakistan's share of each of the assets would be determined by the proportion of the Pakistan note issue to the total note issue at the time of division. This proportion was 3.8 per cent, so that Pakistan's share in the total assets of the Issue Department was 3.8 per cent. Accordingly, Pakistan received this same percentage of the gold coin and bullion and rupee coin. While Pakistan also received 3.8 per cent of the total amount of sterling and rupee securities held by the Issue Department, the Reserve Bank transferred a smaller percentage of the sterling securities and a larger percentage of the rupee securities. The special treatment of sterling and rupee securities was provided for in the 1948 Amendment of the Pakistan (Monetary System and Reserve Bank) Order, so that Pakistan would not share in that part of the sterling which India paid to the United Kingdom for pension payments and purchase of British installations in India nor in the sterling which would be paid to Pakistan for settlements of amounts outstanding to the Central and Provincial Governments of Pakistan, nor in the No. 1 Account of the Reserve Bank of India with the Bank of England.

The transfer of the assets of the Banking Department of the Reserve Bank was somewhat less involved and was completed at once. The Banking Department held deposits of the Central and Provincial Governments and the banks in Pakistan which amounted to approximately 1,000,000,000 rupees. These deposits were trans-

ferred to the State Bank of Pakistan chiefly from sterling in the "balances held abroad" of the Banking Department. As a result of this transfer, the "balances held abroad" decreased by 999,000,000 rupees, roughly the same amount as the liability of the Banking Department to governments and banks in Pakistan.

The total share capital invested in the State Bank of Pakistan is valued at 30,000,000 rupees, of which the Government subscribed to 51 per cent, thus giving it majority ownership and control; the public subscribed to the remainder.

The Bank is managed by a Central Board of Directors located in Karachi, consisting of the Governor, one or more Deputy Governors, if appointed, and eight Directors, five of whom are nominated by the Central Government. There are also Local Boards at Dacca, Karachi, and Lahore, with separate share registers for each area. Another branch has been set up at Chittagong and at Peshawar. The Bank will develop a stock exchange and a domestic money market in Pakistan.

* * * *

CURRENCY & BANKING IN THE FEDERATION OF MALAYA

Currency.—The standard currency of the Malayan Federation is the Malayan dollar with a value of two shillings and four pence and divided into one hundred cents. The currency is issued by a Board of Commissioners of Currency which was established under an Agreement signed in 1938 by the Governments of the Straits Settlements and the Malay States. The currency of the country is on a sterling exchange standard and the Commissioners are bound to issue on demand currency notes at the rate of one dollar for two shillings and four pence of sums in sterling lodged with the Crown Agents in London and to pay on demand the sterling equivalent of Malayan currency notes lodged with them in Malaya. Under the law the Commissioners can charge commission at the rate of three-sixteenths of a penny for every dollar issued and one farthing in respect of every dollar received.

Provision is made for the establishment and maintenance of a Currency Fund in such a way that its value shall stand at 110% of the face value of the currency notes and coin in circulation. There is also provision for making any Government liable to meet any deficiency in the Fund should the assets at any time prove inadequate to meet legal demands upon the Currency Commissioners for the conversion of currency into sterling.

The Currency (Transitional Amendment) Ordinance, 1946, appointed the Financial Secretary of Malaya and the Financial Secretary, Singapore, to be the Board of Commissioners of Currency for Malaya.

The position of the note circulation at the end of 1947 is summarised in the following table:

	\$	c.
(1) Pre-invasion issues	238,804,963	95
Less		
(i) Notes presented for redemption by evacuees from Malaya and destroyed ..	2,236,849	59
(ii) Notes destroyed by Currency Commissioners and withdrawn from circulation between September, 1945, and 31st December, 1947 ..	142,436,327	50
	144,673,177	09
	94,131,786	86
(2) Notes issued since the liberation	317,972,060	66
Note circulation at 31-12-47 ...	412,103,846	92

The figure for pre-invasion issues is the total nominal circulation as at the 15th February, 1942, and it is impossible to estimate what proportion of the amount has been lost or destroyed in the hands of the public since that date.

In comparing the pre-occupation with the present position it is necessary to take into account the fact that the Malayan dollar is replacing the old British North Borneo and Sarawak currencies. The note circulation increased in 1947 by approximately \$24,300,000.

In our issue of September 15, 1948, page 240, the position of currency and banking in Singapore was published.

Foreign Exchange Control.—Foreign exchange control is operated in conjunction with the controls existing throughout the sterling area. Trade between Malaya on the one hand, and Siam and Netherlands East Indies, on the other, is permitted to be carried on by the barter system, which is controlled to ensure that the trade is in approximate equilibrium. Remittances to China are permitted subject to supervision, up to an amount of \$45 per family per month, through remittance shops. Owing to the increasing depreciation of the Chinese national dollar, the general tendency has been to reduce remittances to the minimum amount required.

Banks operating in the Federation of Malaya are as follows:—

The Malay National Banking Corp. Ltd., membership of which being confined to Malays, with head office at Kuala Lumpur, was registered and incorporated on May 12, 1947.

Hongkong & Shanghai Banking Corp., Chartered Bank of India, Australia & China, Mercantile Bank of India, Eastern Bank Ltd., Netherlands Trading Society, The Indian Bank Ltd., Indian Overseas Bank Ltd., Oversea Chinese Banking Corp. Ltd., Oriental Bank of Malaya Ltd., M.C.T.M. Banking Corp., Bank of China, Ban Hin Lee Bank Ltd., Batu Pahat Bank Ltd., Kwong Yik (Selangor) Banking Corp.

CONSUMMATION OF THE TRADE ARRANGEMENT BETWEEN THE STERLING AREA AND JAPAN

SCAP in respect of Occupied Japan and the representative of five British Commonwealth countries, on November 9 concluded an arrangement by which trade to the minimum value of £55 million will be done between these countries and Japan from July 1, 1948 to June 30, 1949. The British Commonwealth participants were Australia, India, New Zealand and South Africa, as well as the United Kingdom and its colonies, except Hongkong. It was the first time that such a large and representative part of the Sterling Area, including five self-governing countries, combined their resources for the purpose of forming one party to a trade arrangement of this kind.

The arrangement, which embraces trade through both Government and private channels, aims at maintaining an approximate balance of exports and imports by the two parties in order to avoid dollar expenditure on either side. More than half Japan's exports under the arrangement will consist of cotton textiles, while she will import a wide range of essential raw materials. The arrangement provides that all trade between the two parties shall be conducted on a sterling basis in accordance with the terms and provisions of the Overall Sterling Payments Arrangement which is in force between the Supreme Commander and the whole of the Sterling Area, with the exception of Hongkong, which, in view of its special position as an entrepot continues to have its own payments and trading arrangements with Japan.

The Trade Plan which forms the basis of the arrangement is not restrictive, but is intended to represent the volume of trade which may be expected to flow between them during the period covered, and the character it is most likely to assume. The plan is not intended to constitute a commitment, binding on either party, but rather to represent a reasonable computation made in good faith of the volume of sales and purchases likely to result from the desire of the two parties to develop trade between them to the highest practicable level. Both parties undertake to facilitate in every way the sale and purchase of goods and services as specified in the plan.

The arrangement provides for frequent consultation between the parties; for the establishment, in common accord, of special machinery to ensure that accurate and up-to-date information shall be available in respect of the operation of the arrangement and to ensure the implementation of the Trade Plan generally; and for a general review not later than January 15, 1948, with a view to paving the way for a fresh plan in the next trading year.

A further provision is that each party shall do everything feasible to ensure compliance with the export-import controls, exchange controls and such other controls that relate to international trade as may be in force and effect from time to time in the areas under the control of the other.

Great importance is attached by both parties to maintaining trade between Japan and the Sterling Area as a whole in approximate balance in order to avoid any loss of dollars to either side. Under the terms of the Overall Sterling Payments Arrangement, the Supreme Commander has the right to convert surplus sterling balances into dollars, although normally such conversion would be exercised only at six-month intervals and then only to the extent that the balances would not be required to meet estimated near term commitments.

An obvious advantage of the Trade Arrangement is that within the scope of an estimated overall balance, it affords greater elasticity for Japan's Sterling Area trade, in that it is a multilateral arrangement with the exception of Hongkong, and four other British Commonwealth countries, all of which are important suppliers of raw materials, as well traditional markets.

From the point of view of the Sterling Area participants, advantage similarly lies in the fact that, although in framing the plan, "hard currency" considerations have had to be applied, within the scope of the plan, these considerations are no longer paramount and, other things being equal, licensing of imports can proceed smoothly within the prescribed limits.

It is part of the understanding between the parties, that the undertaking into which each has entered in making the Trade Arrangement to expend on imports from the other party the full amount of the proceeds from exports to that party, in no way binds either to import from the other goods of a less essential nature than those included in the plan.

The arrangement leaves the way open for other countries in the Sterling Area to accede, subject to the approval of both parties. Alternatively, it is open to individual Sterling Area countries to negotiate their own arrangements with Japan, as in the case of the Dominion of Pakistan.

Meanwhile sterling trade can continue between Japan and other countries in the Sterling Area with financial settlement under the provisions of the Overall Sterling Payments Arrangement, and although the Trade Plan makes no attempt to estimate the gross volume of trade likely to flow between those other countries and Japan outside its scope, a small "reserve pool" of purchasing power is set aside which, if necessary, can be

drawn upon to cover the net requirements of the other Sterling Area countries.

The main goods to be exported by Japan under the arrangement are cotton textiles, which account for a minimum of over £16 million of the total minimum estimated Japanese sales of some £27½ million; industrial machinery and parts; raw silk, rolling stock, caustic soda and other chemicals; rayon, wool, and silk manufactures; paper and paper products and bunker coal.

The Sterling Area participants will furnish a wide range of raw materials and other goods and services to an approximate value of £23 million including raw wool, iron ore, salt, raw cotton, cereals, petroleum, rubber, tin, jute, oilseeds, wool waste, coal, hides and skins, manganese, gums and resins, and shipping.

The balance of approximately £4½ million will be offset against a balance of goods already delivered to Japan during the previous period on open account under governmental trading arrangements.

* * *

Japan's Come-back as a Maritime Nation

The U.S. Government has permitted the rebuilding of a Japanese merchant marine although announcements from SCAP so far have not yet been made. Japan will in future build annually for her own use 400,000 tons of shipping, and an unspecified amount of tonnage for export; the total permissible tonnage has been set at 4 million but an upward revision after one or two years is probable which will depend on the actual performance of Japan's dockyards and ancillary shipbuilding industries; drydocking facilities have been permitted to an extent of 4 million tons but here again an increase for servicing a larger fleet is envisaged.

The problem for Japan's shipbuilders is to keep step with this SCAP program of rehabilitation and development. All resources in men and material will be strained to get once again a big Japanese mercantile fleet off the docks and also build ships for foreign countries in order to earn more foreign exchange. So far ships on order for foreign countries (U.S., Philippines, Norway, France and Denmark) total 15 of a tonnage of 172,150. The yen value of these orders is about 17 billion (assuming 100,000 yen per ton). On the basis of an exchange rate of 500 yen to the US\$, the foreign exchange value of these ships should be around US\$ 34 million.

Japanese shipbuilding and repair yards are the following:—Mitsubishi Heavy Industries Ltd. (with 6 dockyards); Ishikawajima Heavy Industries Co. Ltd. (the oldest firm in shipbuilding, since 1853, building and repairing from cargo to fishing boats, floating cranes, dredgers, steam turbines, diesel and steam engines, boilers, heaters, condensers, evaporators);

Harima Dockyard Co. Ltd., Uruga Dock Co. Ltd. (established 1879); Mitsubishi Shipbuilding & Engineering Co. Ltd.; Sasebo Ship Industry Co. Ltd. (the largest yard in the Far East, with 6 docks of capacity from 4,500 to 65,000 tons); Hitachi Shipbuilding Co. Ltd. (with 6 yards); Kawaminami Industry Co. Ltd.; Kasado Dockyard Co. Ltd. and Kawasaki Heavy Industries Ltd. There are many smaller dockyards in Japan which can build all sorts of vessels particularly for inter-island and coastal use. The big shipbuilding expansion which now has started in Japan will be carried out by the aforementioned dockyards.

* * * *

Japanese Industrial Reports

PETROLEUM

Prospects of the petroleum industry brightened by the increasing possibility of private oil distribution, anticipated collaboration with American oil interests and increasing arrival of oil products from the United States. Much emphasis will be placed on petroleum in the Government's fuel policy. Before the war, Japan's petroleum industry was elaborately protected against the inroads of foreign oil capital through a high tariff wall and the Petroleum Industry Law. During the war an ambitious scheme was pushed to put under Japanese control oil resources in the South Seas. But domestic output was so negligible in volume, only 10 per cent of the total requirement, no matter what efforts were directed toward development of oil wells at home, Japan had to rely upon the import of foreign oil.

The present oil consumption is about 2,000,000 kilolitres, whereas oil available from domestic wells is 200,000 metric tons. Thus, more than 90 per cent of total demand has to be imported. Japanese oil firms have to seek the collaboration of foreign interests. So far as Japanese consumers are concerned, the oil supply business is transferred to Japanese oil firms from the Petroleum Distribution Corporation (a governmental organ), and sales to foreign consumers are handled by three American firms—Standard Vacuum Oil, Rising Sun Petroleum and Caltex Oil. The oil import business will be transferred to these foreign firms in the near future, although oil has thus far been imported through the GARIOA fund. The Standard Vacuum Oil and the Rising Sun Petroleum, both of which have had their own refining plants and tanks since before the war, are fearing that their facilities in Japan will prove inadequate, to say nothing of Caltex Oil, which has made no investment. A necessity exists for them to utilize the facilities owned by Japanese oil firms. Cooperation between Caltex Oil and the Nippon Petroleum Company is anticipated. The import goal for oil products will be increased to 2,000,000/2,500,000 kilolitres in fiscal

1949-50 from 1,900,000 for the current fiscal year. Part of this amount may supersede inferior coal as fuel for iron and steel manufacture. The petroleum industry thus will be enlivened in the field of distribution.

Crude oil instead of refined products, will be imported with a view to saving what little dollar funds Japan has at her disposal. This will give a great impetus to the refining business as plants on the Pacific coast, which have been idle since the war's end, will resume operation. Further development of domestic oil resources, is no easy task. To judge from the recent reshuffle of the Teikoku Petroleum Company, a wartime government corporation, time has come for the oil drilling business to take such steps as the adjustment of superannuated wells and the digging of new ones. For the 1948-49 fiscal year the goal of oil drilling was set at 240,000 kilolitres, but actual output will be 190,000 kilolitres. Thus, the goal for 1949-50 has to be cut down to 225,000 kilolitres. Unless domestic resources are developed on a big scale under government management, oil output will register a decline. Japan's dependence on foreign oil will become more accentuated than in prewar days.

SODIUM ALGINATE

Sodium alginate is one of the promising export chemicals because demand for this sticky substance obtained from sea-weeds is rising in the United States. Since the re-opening of private foreign trade, Japanese manufacturers have been encouraged by SCAP to promote this industry. There are now 50 odd companies in this field, where as only two or three were operating on a small scale in prewar years. None of them has yet succeeded in producing high viscosity alginate (i.e. more than 1,000 degrees) for export to the United States. Their products are less than 500 degrees in viscosity though some have succeeded in making tentatively 1,000 to 5,000 degree grades. The time will come when sodium alginate will occupy the spotlight of Japan's export trade.

Sodium alginate is made mainly from such seaweeds as *arame*, *kombu* (tangle) and *kajiki*. *Kombu* is the best material as white alginate with high viscosity can be obtained from it. This seaweed is in great demand as food in Japan. The manufacturing process is as follows. Decolorize seaweeds by alkali and dissolve them in soda ash. From this solution, sodium alginate is available in paste form. Dehydrate by alcohol alginate paste and dry it in the air. Pulverize it and obtain sodium alginate powder.

The product rejected for export and put on the market in Japan is sodium alginate paste and its sale price is as high as Y1,300,000 per metric ton, or about two times the estimated export price of Y700,000. Insofar as domestic trade is concerned, the industry can make both ends meet, though it may find it hard to break even in export trade because pro-

duction cost is estimated at Y700,000—800,000 per ton.

Plants operating are: Sakata Plant of the Nippon Organic Chemicals Company, Izu Plant of the Iwaki Cement Company, Hachinoe Plant of Nippon Sand Iron Company, Kamogawa Plant of Kamogawa Chemical Industry Company, and Tsurumi Plant of Tsurumi Soda Company. Insofar as high viscosity sodium alginate is concerned all have made no step further than tentative production. They are building new sodium alginate plants, with a monthly capacity of one metric ton or two, and it will be long before 5-10 metric ton plants will be constructed.

PENICILLIN

The time will come soon when penicillin can be produced on a large scale in Japan, because leading companies in this field have converted from bottle to tank culture. The recent drop in the penicillin price deserves consideration. Penicillin of 100,000-unit is now selling at Y300 per ampoule in many cases, though its official producer's price is set at Y513. The market price is cut down, if not frequently, to such a low level as Y200. This cannot be attributed to over-production. The domestic demand for penicillin is estimated at 1,500,000 ampoules. In September, 317,000 ampoules were put on the market and about 290,000 ampoules in October. The actual supply is one-fifth of the estimated demand. An urgent necessity exists for further promoting penicillin production. The recent fall of the penicillin quotation is ascribed to the fact that producers are forced to push sales of their products owing to depletion of funds on hand. As in the case of medicines, the turnover of funds is slow in the penicillin trade as credit sales accounts are liable to pile up. Herein lies the reason why penicillin producers are anxious to sell their products at prices lower than the official ceiling.

The penicillin industry has effected a considerable improvement in manufacturing technique, and there is competition among producers for quick conversion from low grade to superior grades, such as mixed penicillin, penicillin G and oil wax penicillin. The Meiji Confectionery Company, the largest producer in this field, first turned to penicillin G production, and other firms started in November, 1948. Not only 100,000/200,000 unit penicillin but also oil wax penicillin have come to be produced in quantity. Penicillin G is superior to mixed penicillin because it has wider clinical application and bigger therapeutic effect. But oil wax penicillin, with 300,000 units, is the best in all respects, and will overshadow all other grades.

ALUMINIUM

Producing capacity at present is estimated at 90,000 metric tons a year because many refineries have converted to other lines, such as fertilizer and electrode, since the war's termination. Total capacity was 130,000 tons (340,000 tons in terms of alumina) when

the Pacific War was brought to an end. Alumina plants, which are now in operation though on a small scale, are: the Shimizu Plant of Nippon Light Metals Company, Yokohama Plant of Showa Electric Engineering Company and Kikumoto Plant of Nissin Chemical Industry Company. Aluminium refineries in operation are: the Kambara and Niigata Plants of the Nippon Light Metals Company, Kitakata Plant of Showa Electric Engineering Company and Kikumoto Plant of Nissin Chemical Industry. The Kurosaki Plant of Nippon Aluminium Company has switched over to fertilizer, and the Takaoka Plant of Nippon Soda Company to chlorine and its derivatives.

Under the Pauley plan, Japan's aluminium plants were all to be removed abroad as reparations. The Strike Report recommended however a drastic alleviation of such removal. Thus, alumina plants all have been allowed to remain untouched, and 100,000 tons of bauxite will be imported annually. According to the Strike Report, Japan's annual capacity is 157,000 tons for alumina and 82,500 tons for aluminium.

Aluminium supply is short of demand in the United States. Whereas U.S. requirements in 1948 are estimated at over 800,000 tons, production is not more than 650,000 tons, or a deficit of about 200 per cent. Negotiations are reported under way between Nippon Light Metals Company and leading aluminium corporations in the United States. The break-even point is particularly low for aluminium production in Japan because there is a wide spread between the import cost of bauxite and the export prices of aluminium and manufactures thereof. Even if the yen-dollar conversion rate is set at Y 400 per dollar, aluminium exports will be a paying business.

UREA

As fertilizer, urea is not inferior to ammonium sulphate and calcium cyanamide insofar as Japanese soil and farming methods are concerned, and it has, one advantage that sulphuric acid is not needed for its production. Due to the shortage of pyrites, a marked increase cannot now be anticipated in the output of sulphuric acid. Several ammonium sulphate companies have worked out plans to produce urea on a large scale.

More than a decade has passed since urea was produced on a minor scale for the first time in 1932. In this period, considerable progress has been made in theoretical research and manufacturing technique. There are only three plants producing urea as industrial chemical: Sunakawa and Omuda Plants of the Toyo High Pressure Industry Company and Yokkai-chi Plant of Nippon Fertilizer Company. Their capacity ranges from one to two metric tons a day. The Sunakawa Plant, newly constructed with a daily capacity of 50 tons day, produced 150 tons in October 1948, and its output in November was expected to increase to 434 tons. The Wakayama Plant of Nissin Chemical Industry Company has recently con-

Early Introduction of Single Exchange Rate in Japan and Problems of Price Adjustments

The establishment of a single general rate of foreign exchange is only a matter of time. By the setting up of a uniform rate Japan's economy will be linked with international prices; and by thus exposing her to overseas competition, she will be led into rational reorganisation of her ravaged economy. The proper course for adjustment will be: first, to rationalize enterprise; then, to set up a domestic price structure upon which the single exchange rate could be established. The problem of the single rate has, as its corollaries, preparatory rationalisation of industry, then, further readjustments once that rate is in operation. A double rationalisation process is demanded.

The problem of rationalisation has been given much thought in connection with the setting of a single exchange rate. The "three principles of wage stabilisation" which have come to the fore since the middle of November are the prerequisites for the rationalisation of the nation's economy.

These "three principles" are: (1) prohibition of pay-raises affecting prices in general; (2) suspension of "deficit financing"; and (3) Government subsidies only on the basis of a balanced

verted to the output of urea with the ultimate object of turning out 50,000 tons a year through technical aid from American engineers. So far there have been many technical difficulties and Japanese engineers found it hard to produce superior urea in large quantity and as cheap as ammonium sulphate. It will be some time before urea will compete with ammonium sulphate as fertilizer in Japanese agriculture.

INSPECTION OF JAPANESE EXPORT CARGO

The Japanese Government's mandatory inspection of textiles and textile products, except that of raw silk, was discontinued as of November 1; previously inspection of wool, silk, and rayon goods was compulsory. Quality standards will be maintained through requirements for proper labeling on the part of mills and through private inspection procedures. Inspection certificates attesting the quality of the goods, issued by the mills or by private inspection houses, will accompany every export shipment of textiles. Government inspectors will make spot checks to assure maintenance of standards. Mills, exporters, and inspection houses are subject to penalties for improper labeling or inspection. Facilities will be maintained for an indefinite period to continue government inspection of silk fabrics, when requested by buyers, though it will not be mandatory under the new inspection and labeling law.

Budget. By adherence to these tenets, industry will be pulled back into rational operation. It should then no longer be permitted to effect upward revisions of official prices on the plea of rising wages. Even though deficits should result from pegged prices, no credits will be forthcoming; so such deficit-ridden industries and businesses will have no other course but to fold up. Since government subsidies will be granted only to the extent that proper balance can be maintained in the Budget, it will become impossible to continue haphazard operation of enterprise with an eye to aid from the government.

Although there were various predictions of the date of effectivisation of the new exchange rate, the current view is that either this Spring or, at the latest, Summer is the most likely time. However, because of the necessary preparations involved, it appears unlikely that actual enforcement will materialise earlier than July or August.

The main cause for the sentiment calling for early establishment of the single rate is the international situation and its changes. The Government, unable to stem the tide, is now showing signs of acquiescence: a happy reversal indeed of its former stand.

With opinion turning suddenly in the direction of prompt adoption of a single rate, various conjectures are being raised. One view holds that it will bring about a drop in prices and a decline in sales, and that stocks had better be sold. The contrary view also prevails; while certain alarmists even claim that the single rate presages currency reform.

Most of these fears are without foundation. This premeditated step will (1) bind Japanese prices to the world price structure, (2) by so doing will promote foreign trade, and (3) by increasing the volume of trade, will facilitate the importation of more goods.

The problem of the level at which the single general rate of exchange will be set is most controversial. The rate should be such as to permit reasonable returns on the greater bulk of commodities manufactured for export. At the moment, a rate of about Y 400 to the dollar is regarded as a tentative working standard. But if this rate turns out to be too dear for profitable export of many products, the yen may have to be devaluated to Y 450 or Y 500. In this latter event, few export commodities will be forced down in prices; and the result will not be suppression of domestic prices in general, but boosting domestic price levels. The rise will not be excessive, because the exchange rate itself imposes an upper limit to the trend. The setting of a single rate cannot, by itself, become the cause for unrestrained advance.

The adoption of a single rate implies that Japan will be forced out of her present protected economy into international competition and it is inevitable

INDOCHINA ECONOMIC REPORTS

OUTLOOK FOR BUSINESS

Economic progress is conditioned on the settlement of the Vietnam problem. Return of peace and a working agreement with Dr. Ho Chi Minh's party must precede any lasting rehabilitation in the country. The French are negotiating with the ex-Emperor Bao Dai and with the more conciliatory group of bourgeois Vietnamese but popular support is not with these people. The position of Ho Chi Minh is strong although physically his army is at a disadvantage. Continued guerrilla actions may prejudice any French efforts at economic improvement, therefore compromise is the only answer to the long drawn out dispute. What appeared as a propitious step, the protocol of Baie d'Along which put Franco-Vietnam relations on a new basis, has not proved by the end of last year to have materially furthered the cause of peace. As regards the two states of Cambodia and Laos, which are now represented in the Assembly of the French Union in Paris, the relations are cordial and well-founded on mutual trust. The non-Vietnamese population is pro-French and so is a considerable percentage of the Vietnam people, however, without the placation of the Viet Minh there cannot be any real cooperation between the French and the Vietnamese.

In spite of the political difficulties and regional small-scale fighting as well as extensive security work carried out by the French, production and

that temporary derangements and friction will arise.

The problem is that of the effect on domestic commodity prices resulting from the application of the same rate of exchange to both export and import. The imported foodstuffs and other items shipped to Japan from overseas are now being paid for at a rate of about Y120 to the dollar. Thus, if exports call for a rate of as low as Y400, the yen value of imports is currently over-valued by some 300 per cent. If the import exchange rate is lowered to the export rate level, the yen prices for imported foodstuffs, minerals and other materials will jump. The rise in prices in general as a result will necessitate a 27 per cent increase in wages. This will make it somewhat difficult to apply the single rate to imports and exports without some transitional adjustments. It would perhaps be wisest to make an exception of imports based on United States aid to Japan, gradually lowering the special import rate until it reaches the single general level. A similar problem is raised by export industries, now producing at too high a cost to be able to export profitably at the new single rate. It will probably become necessary either to exempt these industries for a specific period or to arrange for mutual assistance among producers of the same items. Whether or not these provisional measures will be permitted by SCAP remains to be seen.

trade in 1948 showed great advance compared with 1947. Almost 170,000 tons of rice were shipped abroad during last year, and a further 50,000 of broken rice and rice flour, thus giving a total of some 220,000 tons of rice exports, while in 1947 only 90,500 t were exported. Maize exports in 1948 were about 45,000 t, against 5,000 t previously. Tonkin has been pacified to a large extent and the countryside is producing again and bringing produce to the cities and ports. Industrial production is advancing; 359,000 tons of anthracite, against 250,000 in 1947, were produced last year, the cement works produced almost 100,000 t, against previously 40,000 t, the textile mills of Namh-Dinh are again, since the middle of last year, operating.

Inflation of the piastre is slowly proceeding and cost of living is correspondingly higher. Within the country there are disparities in prices and living costs but these abnormalities cannot be eliminated during the current emergency. The common people do not withhold their approval of the French measures to combat inflation and to bring back to the country material prosperity. There is much cooperation noticeable among the middle class who are the staunchest ally of the French although many are too timid to come forward and rally more support for a Vietnam as organised by the French and the moderates with General Xuan at the helm.

* * * *

ECONOMIC CONDITIONS IN INDOCHINA

No great amelioration was apparent in the disruption of Indochinese political and economic life during 1948, owing to a continuance of hostilities. The 1949 rice crop is expected to be larger than in 1948 because of the greater planted acreage; rubber production remains steady, whereas an increased output of other agricultural commodities is contingent only on peaceful conditions. Fuller productivity in mining activities is dependent on the acquisition of needed equipment, coupled with maintenance of a greater measure of political stability.

The lack of housing facilities, chiefly in Saigon, Hanoi, and Haiphong continued and the cost-of-living index is rising. Retail trade is still good for essential items, there being a shortage of textiles, and, as a result, a brisk black market exists. The supply of luxury items, such as wines, liquors, and perfumes, now exceeds the demand. Goods ordered from France are reported slow in arriving, often taking 7 to 8 months from order to receipt.

There was a noticeable increase in building activity in Saigon during 1948. Construction and repair of commercial premises is under way, but is retarded by shortage of raw materials and labour. A credit of 27 million

piasters has been set aside in the extraordinary budget for 1948 to provide for war-damage indemnities to householders and hotel owners in the Saigon-Cholon and Haiphong area who will repair or rebuild now. Building costs exceed pre-war levels by 400 per cent.

Labour unions continue to be technically illegal in Indochina although French organisations are not molested in any way. Most Annamites, being primarily agricultural in character, do not like unions because of their nature and lack of desire to work in groups or for long periods of time. There were no important strikes during 1948.

The Saigon power plant is badly in need of replacement. This condition also applies to facilities at Hanoi and Haiphong.

The textile factories at Nam Dinh, Tonking, have resumed production although not in a sufficient degree to relieve the acute textile shortage felt by the poorer classes of Annamites who are normally large consumers of cheap black cotton cloth. Spun-thread production reached 13,451 kilograms in July and increased to 77,319 in August. Cloth manufactured during August totaled 153,500 meters.

Prospects for the coming rice crop are good; weather conditions satisfactory, except for small typhoon damage. A virtual rice blockade of the Saigon area is being enforced by insurgent forces and the supply of paddy for Cholon mills is down. The rice stock position is often unfavourable.

Rubber production increased because of seasonal factors and totaled 11,558 metric tons in the third quarter compared with 8,362 tons during the second quarter; nevertheless, production is only about 60 percent of capacity. The price of No. 1 smoked sheets reached 8.91 piasters per kilogram at the end of September, compared to 5.76 piasters in Singapore. This spread is due to French consumers competing in the only market where they can buy without foreign exchange.

The white-corn crop is reported good and the sugar prospects are normal.

External and domestic air travel continues to increase—aviation being the safer way to travel in most parts of Indochina at this time. Railways and roads are in need of major repair. Railway service is operating not well from Saigon and Hanoi to nearby points.

The large aviation traffic increase in 1948 is explained by the inauguration of more lines and additions to the number of planes in operation.

Credit is not freely given by banks and although security is demanded from medium-sized firms, interest rates charged range from 7 to 8 per cent. Collections are reported slow

except in the case of old established firms which, being experienced, have prevented overexpansion. Bank deposits at the end of September totaled 1,143 million piasters, and noninterest national savings totaled 36,403,000 piasters.

INDOCHINA'S SHIPPING IN 1948

For the port of Saigon: arrivals during 1948 were 556 ships of 1,490 thousand tons, discharging 645 thousand tons of cargo (in 1938 port statistics were: per average month 48 ships, 268,700 tons, discharging 25,200 tons of cargo).

Departures during 1948 were 556 ships of 1,432.4 thousand tons, loading 549,600 t of cargo (against 1938 departures of 47 ships per average month, of 244,700 t, loading 136,100 tons of cargo).

The above figures show the increased postwar imports and declining exports of Indochina. Inward ships' tonnage has declined although cargo discharged has greatly expanded. Outward tonnage is only a fraction of what it used to be before the war, a consequence of low export shipments.

The port of Haiphong and Baie d'Along show the following figures for November 1948 (with monthly average 1938 in brackets):—arrivals 18 ships, 37,800 t (30 ships, 97,100 t); departures 18 ships, 26,700 t (32 ships, 122,00).

INDOCHINA'S AGRICULTURAL PRODUCTION

Rubber: exploited area in Oct. 1948 amounted to 46,400 hectares against 114,500 ha. in 1938. Production in Oct. was 4,136,000 tons against 6 million t, in 1938. Domestic rubber consumption fluctuates between 60 to 90 tons per month (before the war only 15 tons).

Forest products: timber in Nov. 1948 amounted to 30,800 cubic metres against 72,700 before the war (1938); fire wood in Nov. 90,400 st. (157,000 before the war); charcoal in Nov. 1.7 million tons (prewar 7.8 m.).

INDOCHINA'S INDUSTRIAL PRODUCTION

	Monthly average 1938	Year 1948
Coal (only Hongay)	194.6	338.8 (thousand tons)
Coal (Tonkin)	22.2	97.8
Alcohol (Cochin)	1830	5909.8 (thousand litres)
Beer (Cochin)	—	161.1 (thousand hl.)
Sugar, White	1500	945 (tons)
" red	—	14840
Salt	3072	4099
Tobacco	278	3564
Oxygene	120	219.5 (thousand cub. m.)
Acetylene	30	99.4

On the whole, industrial activity in 1948 has been high and compares favourably with production in 1938.

INDOCHINA'S TRADE FOR PERIOD JANUARY TO OCTOBER 1948

Imports: for the first 10 months of 1948 total import value 1,764.9 million piasters, total tonnage 283,800.

Principal countries of origin were: (in thousands of tons):—France 10.28; French Union countries 22½; USA 42.9; India 4.6; Hongkong 1.7; Indonesia 53.2; China 10.4; Siam 12.9.—(in millions of piasters):—France 1,058; French Union 55; USA 249; India 22; Hongkong 12; Indonesia 32; China 591; Siam 44.

Principal products imported during Jan/Oct.: (in tons):—live animals 2,430; milk products 2,841; wheat flour 7,243; potatoes 5,566; sugar 11,218; tobacco, cigarettes 2,389; vegetables 4,916; wines 8,415; liquors 1,108; petrol and petrol products 69,008; metals 14,168; Yarn 1,814; Jute bags empty 4,297; cotton fabrics 4,814; paper and manufactures 11,795; machines and tools 8,875; metal ware 10,910; rubber goods 1,854; automobiles imports in July, August and September respectively 198, 437 and 360 cars.

Exports: total value 926.8 million piasters, a tonnage of 432,000.

Principal countries of destination (in thousands of tons):—France 93.4; French Union 93.4; USA 4.8; Hongkong 43.7; Singapore 93.4; China 38.3; Siam 11.2.—(in millions of piasters):—France 386; French Union 202; USA 26; Hongkong 95; Singapore 104; China 11; Siam 28.

Principal export products (in thousands of tons):—raw hides 0.85; salt and dry fish 2; fish oil 1.9; salted vegetables 6.3; Maize 20.2; Rice, cargo 5.5; white 124; broken 31.6; flour 1.2; Pepper 1.2; tea 0.2; colophane 0.1; rubber 33.4; kapok 2.3; cement 22.6; coal 42.2; tin ore 39 tons.

The above figures include recorded imports and exports of all Indochina.

Comparisons between 1948 and 1938:—monthly average imports in 1938: 40,800 tons, (1948 average for 10 months 28,380 tons); monthly average exports in 1938: 332,900 tons (in 1948 only 43,200).

Unfavourable balance of trade for Jan./Oct. 1948 amounted to 838 million piasters (in 1947 only 393 m.).

Official exchange value of piastre:—(per one HK\$):—in 1938: 1.07 piastres; in Dec. 1947: 1.79; in Sept. 1948: 3.18; as from Oct. 17, 1948: 3.95. In terms of US\$ and pound sterling respectively 15.57 and 62.80 piastres.

INDONESIA ECONOMIC REPORTS

Hard Rope Fibre Production

At the beginning of 1948 it was found that although 70 percent of the prewar area in Netherlands Indies used for the production of hard rope fibers was under government control, the actual acreage planted to hard fibers in the reoccupied areas had been reduced from 26,000 to slightly more than 3,000 hectares. Of the 2,100 hectares planted on the east coast of Sumatra, some 600 are planted to sisal and 1,500 hectares to abaca.

All three factories on the five estates are in running condition, but at present only one is operating; it is producing 500 tons of sisal a month. In Java, only 1,100 hectares of sisal on an estate in the Batavia Residency remain of the 7,000 hectares of hard-fiber lands which were returned to Netherlands control. The estate was in an abandoned state, although the factory was in running condition. Rehabilitation work is progressing, and it is hoped to have an additional 900 hectares of sisal planted in the current year.

Estimated production of all hard fibers in 1948 for all of Indonesia under Netherlands control amounts to 8,000 metric tons. In order to attain the goal of 50,000 tons in 1952, foreign credits up to US\$2,500,000 will be required for the rehabilitation of the estates.

Citronella

Citronella plantings in west Java have deteriorated and do not exceed 1,000 hectares, as compared with 7,000 hectares in prewar years. Current acreage consists of old and neglected crops. Some of the small factories are being overhauled and a significant extension of the area planted to citronella is under construction.

The Netherlands Indies export duty on citronella oil was reduced on May 25, 1948, from 20 to 3 per cent. This reduction was instituted to stimulate exports of this commodity by bringing prices nearer to world-market quotations.

Tea Situation in Java and Sumatra.

From 1942 until almost the end of 1946 the tea production of the Java and Sumatra estates was excluded from the world market, but now that production has been resumed, it becomes necessary to consider what the future market position for these regions is likely to be. In the past the principal markets for the teas produced in the Indonesian Archipelago were at Amsterdam and in London, but as the years passed these markets gradually moved to Batavia, mainly because this became more convenient for distribution. Thus immediately before the war, Batavia had become the most important market for Java teas and to a lesser degree for Sumatra teas.

The second world war withdrew the black (i.e. fermented) teas produced by Java and Sumatra from the world markets and the gaps made by this withdrawal had to be partially filled by India and Ceylon. Concurrent efforts were made to increase tea production of areas situated outside the affected zone, particularly Kenya and Nyassaland and also the U.S.S.R.

In Indonesia, the war and its aftermath brought destruction of factories and planted areas, with a consequent loss of production. Tea production was recommenced in 1946, and by 1947 a number of tea estates in West Java were back in production. It was not until 1948 that Sumatra teas were again on offer. The total production of Java and Sumatra during 1948 is estimated at 24 million pounds. A comparison of this production with the pre-war output shows that it is only about 1/7 of 1938. There should be therefore no difficulty in disposing of such a limited amount. However, this is not the case because several adverse factors are impeding export. The first is that India and Ceylon have been in production supplying most of the world's requirements during the war, and consequently consumers have acquired a taste for these types of tea, to the exclusion of the differently flavoured Indonesian teas. A second adverse factor is that after the Japanese capitulation large stocks of old pre-war teas were available, and these were shipped abroad, regardless of their condition. In many cases this tea had deteriorated and these sales have detrimentally affected the reputation of Java and Sumatra teas which it will take years of propaganda to remove. There is now a very strong opinion against any further sale of these old teas. In addition, the complicated monetary restrictions imposed by so many countries makes selling difficult and in some cases impossible. A further impeding factor is the absence of warehouse space required for the blending of teas, which was a feature of the Batavia tea market in pre-war days. Blended tea was in demand by a number of consumers abroad. There can be no doubt that the regaining of the tea markets will be a slow process, but on the other hand the present world shortage of tea does not warrant an unduly pessimistic view of the situation.

Pepper Exports

Exports of white pepper from Indonesia in the first 8 months of 1948 amounted to 451 metric tons, of which 250 tons were shipped to the United States, 196 tons to the Netherlands, and 5 tons to Belgium and Luxembourg. Exports of black pepper in the January-August 1948 period totaled 729 tons, with the Netherlands taking 302 tons and Singapore 427 tons.

At the end of the second quarter of 1948 it was estimated that stocks of black pepper in the Lampungs were between 3,000 and 5,000 tons. Stocks of black pepper in Batavia do not exceed 200 or 250 metric tons. Stocks of white pepper on Bangka total about 1,000

metric tons as compared with 3,000 tons at the beginning of the third quarter of 1948. After reconditioning, from 750 to 800 tons of this pepper may be suitable for export.

Indonesian Exports

Exports from Indonesia during the first 8 months of 1948 totaled 3,274,780 tons, valued at 634,267,000 guilders. They consisted of 15.6 percent (by weight) and 57.1 percent (by value) of agricultural and forestry products; 74.2 percent and 24.3 percent, respectively, of petroleum products; 10 and 16.2 percent of other mineral and mining products and scrap; and miscellaneous exports, including animal products, 2 and 2.4 percent. Next to petroleum, rubber was the most important export, representing 23.9 percent by value of the total, followed by copra (16 percent), tin (15.), sugar (3.4), palm oil (3.1), fibers (1.8) and tea (1.5 percent).

Shipments to the United States amounted to 291,715 tons, valued at 105,052,000 guilders. Rubber ranked first with 54.7 percent (by value), followed by tin, 31.1 percent; bauxite, 2.3; tea, 2.2; fibers, 1.8; and various other products, 7.9 percent. In terms of Indonesian exports, the United States took 68.2 percent (by value) of the bauxite, 54.7 percent of the citronella oil, 37.8 of the rubber, 34 of the tin ore, 26.4 of the resins, about 24 percent each of tea and pepper, and 20 percent of the fibers.

Freeing of Estate Produce

By decree of the Director of the Central Sales Organization for Estate Agricultural Products (C. V. O.) the control over estate agricultural products in Java and Sumatra, except coffee and sugar, was relaxed as of November 1, 1948. Regulations which are now being eased, provided, inter alia, that (1) all estate products were to be registered

with C. V. O.; (2) upon receipt of C. V. O. orders, such products were to be delivered to that organization; (3) the export of products from Sumatra, Java, and Madura, the transportation from one of these areas to another part of Indonesia, as well as transportation, except within the confines of the estate where they were stored, was forbidden.

As of November 1, 1948, holders of products, except coffee, newly produced on the estates in the Federal territory of Java, Sumatra, and Madura, will no longer be required to report their stocks or deliver them to C. V. O. Also, all estate products except sugar may be freely transported within, and exported from Java, Madura, and Sumatra. However, as with all other products, an export permit from the Export Bureau is required if the products are to be exported.

The C. V. O. no longer impose export obligations, it being understood that producers cooperate by voluntarily expediting the export of their products. However, in order to prevent stocks from being held for speculative purposes, the decree specifically stipulates that these decontrolling measures may be revoked at any time.

Washing Powder and Toilet-Soap

Indonesian production of washing powder in January and February 1948, amounted to 2,168 and 2,698 metric tons, respectively. The combined figures gained but 1 per cent over the aggregate output in November and December 1947, when 2,349 and 2,457 metric tons, respectively, were produced. Toilet-soap production in January and February 1948 was reported at 188 and 200 metric tons, respectively. The 2-month total was 15 per cent less than the combined November and December 1947 output of 238 and 215 metric tons, respectively.

INDONESIA TRA DE REGULATIONS

Generally, all commercial imports require a foreign-exchange permit and import declaration.

Generally, all exports require an export permit.

Consular invoices are not required.

Certificates of origin are required only in special cases, e.g., in connection with narcotics.

There are no preferential customs duties with regard to imports.

In general, all foreign exchange obtained for exports must be turned over to the Bureau of Foreign Exchange (NIDI). Direct transactions involving payment for imports from the foreign proceeds of exports are not permitted.

The export trade is open to all, i.e., everyone may participate in it, but remains under the control of the Export Bureau (BUZ). The export of a number of products, however, is in the hands of specific agencies, namely, the Copra Fund, the Quinine Bureau (for cinchona bark and quinine), the Sales

Bureau for Mineral Ores, and the Central Sales Agency for Estate Produce, for estate produce of undetermined ownership. The Netherlands Indies Rubber Organization (NIRUB) ceased its operations as of February 24, 1948, thus doing away with Government control over purchase and exports.

Exports remain subject to the following regulations: a. Exports must be made to those countries with which the Netherlands Indies has treaty arrangements for the delivery of a certain volume of its products. b. In order to build up the foreign-exchange account of a particular currency, the Government may direct the export of products to specific countries.

Import Regulations: The foreign-exchange permit is issued by the Bureau of Foreign Exchange (NIDI), and the import permit by the Bureau of Supplies (BGS). In order to be considered for an import permit, it is necessary for the importer to have received,

through his representative with the Netherlands Indies Association of Importers and Wholesalers (NIVIG), an association of importers and wholesalers domiciled in the Indies, a share or quota of the purchase order established by the Planning and Allocation Institute (SIPET) in consultation with the NIVIG. This representative is a member of one of the so-called Central Commodity Combines (Covenant), of which there are at present nine, one each for a defined group of commodities. These combines have been established under the instruction of the Department of Economic Affairs, and with the cooperation of the directors of the Netherlands Indies Government Import Export Organization (NIGIEO), General Import Organization (AIO), and SIPET, and the executive committee of NIVIG. The SIPET determines whether or not a firm is entitled to a share of the trade. If so, such firm is automatically a member of the combine, and falls under its jurisdiction.

In making allocations, prewar importers have a preferential position, because their share is determined on their so-called historical rights to a part of the trade. Newcomers are also given the opportunity to participate, and particular consideration is given to Indonesians in order to develop a native commercial apparatus.

After the decision has been made to make a certain purchase, the Combine's representative will obtain from the Bureau of Supplies the required import permit, and inquire which of the members of the Combine desire to partake in the transaction. Upon the issue by the Bureau of Foreign Exchange of a so-called master exchange permit, the specific share going to each firm is finally determined, a purchase order is issued, and the firm is given an individual exchange permit as part of the master permit.

Firms needing financial help may obtain this from the AIO in return for a part of the profit realized on the transaction.

As of June 1, 1948, the purchase of foodstuffs, beverages, textiles, chemicals, and ironware has been released by the AIO to private traders. With regard to these products, the AIO has retained only its financing function.

Import Prohibitions and Limitations: Prewar prohibitions and restrictions—for instance, with regard to explosives, printed matter, alcoholic beverages, matches, lead white, cattle and products, live plants (including fruit) and narcotics—are still in force. A certificate of health and other certificates or special permits are necessary in these cases. The import of military and semimilitary goods is not entirely prohibited but is subject to a special import permit to be issued by the Secretary for Economic Affairs.

Import Duties: The prewar base rates are still in force, namely: 6 percent for capital goods, raw materials, and semimanufactures, 12 percent for ordinary consumers' goods, and 20 percent for luxury goods. These are now further subject to a 50-percent surtax, making the taxes, respectively, 9 percent, 18 percent, and 30 percent. For

the calculation of import duties, the c.i.f. value is used.

Free of import duties are raw materials, as well as certain other goods or merchandise used in agriculture, transportation, or for export, or for certain industries, specifically the weaving and metal industries.

Pursuant to the Geneva Tariff Conference, duties have been eliminated or reduced as follows:

Free from duties are: Acacia bark and extracts; raw camphor; raw raffia fiber; bark of plants; calcium carbide (if not used for lighting purposes); unprepared leather skins (other than fish and reptile skins); and tinfoil heavier than 450 grams per square metre.

Duties have been reduced to about half of existing rates on: Ingredients in bulk for the industrial preparation of beverages; artificial plastic materials in pieces of powder (for the lacquer industry); chalk, pencils, slate pencils; shaving soap in bars, fluid soap; leather; rabbit and opossum skins; heels and soles; cardboard; sailcloth; sanitary equipment made of porcelain; work benches and similar articles for industrial firms; Diesel and tractor motors; ice and cooling machinery for ice factories; large freezers; automatic vending machines; pocket flashlight batteries; electrical heating and lighting installations for houses, hotels, and other living quarters; tractors; and novie equipment.

Import duties may be waived for chemicals, paints, and other products necessary as subsidiary materials in factories; raw minerals and petroleum for certain specified industries; materials and articles required for the processing of export merchandise; and machinery and equipment for new industries. Import duties may also be waived for raw-material imports by new industries for a period of 2 years.

A temporary reduction in duties (in force until January 1, 1950) amounting to 50 percent of established duties, applies to imports of: Certain specified machinery, equipment, apparatus and parts, such as leather belting, packing material, high-pressure hose; wooden parts for textile machinery, casting molds, etc.; articles made of paper mache for textile weaving mills, etc.; hose for the transportation of fluids, etc.; millstones (grindstones); asbestos insulating and packing material, fire bricks, gage glasses, etc.; profile iron industrial pipe, etc.; boilers, steam and electrical machinery; mechanical and electrical apparatus and equipment, etc.; dredging mills, sand (suction) dredges, cranes, etc.; and volt and ampere meters, pyrometers, manometers, etc., provided these are to be used in the rehabilitation of industry, etc. For these imports a separate declaration of import is required.

Statistical Duties: One-quarter of 1 percent ad valorem.

Harbour Duties: From 0.50 guilder to 1.25 guilders per metric ton gross weight, depending upon harbour.

Export Regulations General: The law of January 28, 1947, requires that an export permit be obtained from the

Bureau of Export Affairs (BUZ). For agricultural products from Java, Madura, and Sumatra, it is also necessary to obtain a permit from the Central Sales Organization of Agricultural Estate Products.

Export Prohibitions and Limitations: In principle, the export of basic foodstuffs such as rice, inaize, and soybeans is temporarily prohibited. At present, limited exports of maize and soybeans are permitted. For certain specified goods, export is permitted only to stated countries, in connection with existing treaties of commerce which require the delivery of certain merchandise.

In principle also, prewar regulations are still in force because of sanitary considerations with regard to cattle and their products; parrots; narcotics; tobacco seed; live plants and seeds (including kapok, coffee, quinine, rubber, sugarcane, and tea).

Export Duties: There is at present a general export duty of 20 percent. Exceptions are as follows: Petroleum and petroleum products, 8 percent; coal, 3 percent; teak and ebony, 10 percent; gahru and other aromatic woods and Ambonese roots, 2 percent; other woods, 3 percent; charcoal, excluding coconut-shell charcoal, 3 percent; wild rubber, including getah, 8 percent; reptile skins, dried or salted, excluding snakeskins, 5 percent; mace, cassia vera (*Cinnamon Cassia*), cloves, nutmeg, black and white pepper, areca nuts, citronella oil, tapioca products, cinchona waste, 3 percent; resins, except benzoin and dragon's blood, 8 percent; aren fibers (gemutu) and rattan, 8 percent.

For rubber, the following specific duties are levied: Estate rubber, 3.4 cents (Netherlands Indies currency) per kilogram dry rubber (this is the rate for the third quarter of 1948; a new rate is established quarterly), and 60 cents per hundred kilograms dry rubber for deliveries by the estates. An amount is also levied annually, tentatively fixed at present at 63 cents per hundred kilograms, for the financing of experimental stations. Native rubber, 3.4 cents per kilogram dry rubber and 60 cents per hundred kilograms dry rubber when exported; 6 percent plus 20 percent surtax ad valorem.

Statistical and Harbour Duties: Same as for imports. For the calculation of export and statistical duties, so-called official values are set for defined products each quarter. For the third quarter of 1948, such values have been set for beeswax, copra cakes, mace, hides, kapok, coffee, nutmeg, essential oils, palmoil, pepper, tea, fibres, petroleum products, and rubber. For other products, the f.o.b. value is used as a basis for calculation.

Barter: With regard to the trade with Singapore and Hong Kong, certain special regulations are in force exclusively with regard to native-grown products. These regulations permit the exporter to retain a certain part of the foreign-exchange proceeds of his exports for the import of essential and controlled goods from Hong Kong and Singapore. Generally, however, barter is prohibited, as well as combined import and export transactions.

RAILWAYS IN COMMUNIST-CONTROLLED CHINA

China's railways are mostly scattered over the Northeastern provinces and North China. With the Communists in full control of the North East and nearly all of North China over 70 percent of China's railways now fall under the administration of the Communist authorities, except those south of the Yangtze, such as the Canton-Hankow railway; the Chekiang-Kiangsi railway; the Nanking-Shanghai railway; the Shanghai-Hangchow railway.

The combined mileage of the railways in the Northeastern provinces totals about 9,000 K.M. Most of them were severely damaged during the civil war, but have gradually been repaired by the Communist authorities since they took over, and at present railway traffic in the North East is operating smoothly. All the railways there are now under the control of the General Administration of Railways, with four subadministrations.

In north Manchuria the major railways now open for regular traffic are: 1. The Harbin-Manchuria Railway, 2. The Harbin-Pehan, 3. The Harbin-Suifengho, 4. The Harbin-Changchun, 5. The Harbin-Lafa, 6. The Suihua-Chiamuse, 7. The Tsitsiha-Pehan, 8. The Suining-Nanking Railway.

In eastern Manchuria the major railways are:—1. The Mutankiang-Chiamosze railway, 2. The Lingkou-Tungan, 3. The Mutankiang-Tumeng, 4. The Tumeng-Changchaun railway.

In western Manchuria the major railways are:—1. The Tsitsiha-Szeping railway, 2. The Peichingtse-Changchun, 3. The Peichingtse-Arshan, 4. The Tashushan-Tungliao, 5. The Liaoji railway.

In southern Manchuria the major railways are:—1. The Szeping-Lian railway, 2. The Tungfa-Liukian, 3. The Yungchi-Haileon, 4. The Haileon-Fushun, 5. The Szeping-Pulantien, 6. The Antung-Pengchi, 7. The Shengyang-Kirin, 8. The Shengyang-Antung, 9. The Shengyang-Fushun railway.

In North China most of the major railways have also resumed running. The Yangchuan-Tehsien railway, 500 K.M. in distance, which runs across the North China liberated areas, had also been severely damaged during the civil war, but one-fourth of it was restored at the end of December, 1948, and traffic is now made possible as far as Yuchi. The repair work includes the repairing and rebuilding of about 130 railway bridges.

On Lunhai railway, which runs parallel to the Yuteh railway (Yutze-Tehsien), the section between Yoyang and Sinantsen (northern Kiangsu), a distance of more than 500 K.M., it had taken two months to repair the damage, and traffic was finally opened at the middle of December last. Along

the whole section 21 bridges were either repaired or rebuilt. For repairing a bridge 240 feet long, washed away by floods, 600 labourers were mobilized to work simultaneously. The section between Sinantsen and Lienyungkiang is still under repair.

The western section of the Peiping-Suiyuan railway, starting from Paotou in the west and ending at Fungchen in the east, is already restored to normal traffic, with the exception of the city of Kweisui, which is still in the hands of Nationalist troops; while along the eastern section of this railway traffic runs from Kalgan to nearby Peiping.

The central section of the Tientsin-Pukow railway (from Tsinan to Suhsien) has also been opened to traffic. This is the longest stretch of a railway now being controlled by the Communist authorities in China proper. As to the northern section, traffic has been resumed from Tsinhai to south of Tientsin. On the Kiaotsi railway (Tsinan to Tsingtao) traffic is now running from Tsinan to Kiaohsien.

The northern section of the Peiping-Hankow railway, starting from Fungtai to Tsoshien, has already been put into running order; while the section between the Shechiachwang and Hantan was open to traffic long ago. It is expected that through traffic will soon be resumed on the entire northern section from Fungtai to Yangtsun—91 K.M. in distance—reopened for traffic on the 25th December, 1948. Since the Communist occupation of Tientsin, rail communication between Peiping and Tientsin was thereby made possible. The section between Peitaiho and Mukden was officially opened on the 5th December last, while the section from Luenhsien to Hanku was declared open on the 17th of the same month.

The central section of the Tungpu railway (Taitung to Pucheng) in Shensi province, starting from Yuchi to Lin-shek (160 K.M.) has been open for traffic since the beginning of August, 1948. Along the whole section 32 railway bridges, large and small, have been repaired, for each of which more than 1000 bags of sand and stones had to be used for strengthening the foundations. But it took only three days to repair one bridge, on account of the efforts displayed by the workers.

While the railways in the North East have entirely resumed normal running, those in North and East China have mostly been repaired and restored; only few remain inoperative. The repair work on the railways is a very difficult task, especially when it is undertaken while fighting is going on, and while both material and personnel are lacking. However, with the help of the local people the railway workers have completed a large number of repair works. This can only be explained by

the great sense of duty and the tireless working of so many people in the liberated areas.

CHINA FUR & FEATHERS EXPORTS

Declared exports of furs (in pieces) to the United States from Tientsin, during the period January through September 1948 were as follows: Hare, 20,220; kolinsky, 183,573; lamb, 157,178; kid, 109,908; goat, 43,990; weasel, 124,143; mats and plates of kidskin, 52,443; and lambskin, 41,176. Exports of crude feathers totalled 5,827 pounds.

Declared exports of furs (in pieces) from Shanghai included 600,681 of lambskins; 4,523 of kolinsky; 25,000 of marmot; 1,148,630 of rabbit and hare skins; 13 of sable; 383,876 of weasel; 30,751 of lamb and kid plates. Feathers amounting to 2,639,309 pounds were exported from Shanghai to the United States.

CHINESE SILK PRODUCTION

Production of raw silk in China has been estimated at 71,526 bales (133 1/3 pounds each) for 1948. This is 18 percent larger than the 1947 estimate of 60,522 bales. Production of spun silk in 1948 has been estimated at 9,095 bales and filature silk, 18,272 bales.

From January to August 1948, exports of raw silk amounted to 4,843 bales as compared with 8,482 bales in 1947. Silk-piece-goods exports amounted to 366 bales in January-August 1948 as compared with 1,504 bales in 1947.

From January to June 1948, Russia was the largest buyer of raw silk, taking 1,578 bales or 38 per cent of the total. Exports to India during the period were 871 bales and to the United States, 526 bales.

PHILIPPINE AIRCRAFT

Of 267 aircraft registered with the Philippine Civil Aeronautics Administration in September 1948, 122 were privately owned planes, 30 were used in flying instructions, 2 were the property of the Civil Aeronautics Administration, and the remaining 113 were owned by commercial air lines. Predominating were 103 L-4's, 76 C-47's and 42 L-5's.